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Canada. Parliament. House of Commons  
Standing Committee on Public  
Accounts.

Minutes of proceedings and  
evidence <sup>and report</sup> respecting the Bren  
machine gun and other  
armament contracts. 1939. no. 21-29.















SESSION 1939  
HOUSE OF COMMONS

7947

(STANDING COMMITTEE)

ON

(PUBLIC ACCOUNTS)

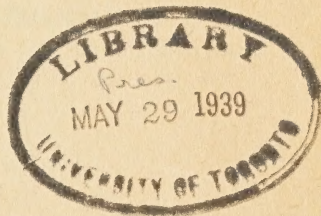
MINUTES OF PROCEEDINGS AND EVIDENCE

RESPECTING

THE BREN MACHINE GUN

AND OTHER ARMAMENT CONTRACTS

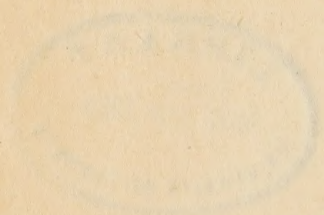
No. 21 - 29



TUESDAY, MAY 23, 1939

WITNESS:

Major-General L. R. LaFlèche, Deputy Minister,  
Department of National Defence





## MINUTES OF PROCEEDINGS

TUESDAY, May 23, 1939.

The Standing Committee on Public Accounts met at 11.15 o'clock, a.m., the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Anderson, Bercovitch, Bothwell, Brooks, Douglas (*Weyburn*), Factor, Fraser, Golding, Grant, Homuth, Isnor, MacInnis, MacNeil, McDonald (*Pontiac*), McGeer, McKinnon (*Kenora-Rainy River*), McPhee, Marshall, Patterson, Purdy, Stirling, Thauvette, Turgeon, Wood.

*In attendance:* Major-General L. R. LaFlèche, Deputy Minister, Department of National Defence.

General LaFlèche was called, heard and questioned.

The Committee adjourned until Wednesday, May 24, at 11.15 o'clock a.m.

A. L. BURGESS,  
*Clerk of the Committee.*





## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 23rd, 1939.

The Standing Committee on Public Accounts met at 11.15 a.m. The Chairman, Mr. W. A. Fraser, presided.

The CHAIRMAN: Gentlemen, we now have a quorum so we shall proceed with General LaFleche.

Major General L. R. LAFLECHE, Deputy Minister of National Defence, called.

Mr. MACNEIL: Has General LaFleche a statement which he wishes to make?

The WITNESS: Mr. Chairman, I have not had time to prepare any statement.

*By Mr. MacNeil:*

Q. I wonder if you would explain, General LaFleche, if you had any previous acquaintance with Major Hahn prior to the date on which he saw the Bren gun in your office?—A. No. I met him then for the first time.

Q. Under what circumstances or under what conditions was Major Hahn permitted to take the gun back to Toronto and examine the details?—A. He requested it and I arranged through military district No. 2 of Toronto to let him see the gun.

Q. Was this opportunity extended to any other manufacturer?—A. Not in regard to the Bren gun; but in regard to other matters, yes.

*By Mr. Bercovitch:*

Q. Did other manufacturers ask to see the Bren gun?—A. No.

*By Mr. MacNeil:*

Q. When Major Hahn made it clear to you that there were possibilities of undertaking the manufacture of the Bren gun in Canada, did it not occur to you that other manufacturers would be interested likewise and that they should have a similar opportunity?—A. I think that your explanation of what I understood to be the situation at the beginning is not quite correct, Mr. MacNeil. Until Major Hahn went to England and came back I was not convinced that the gun—I was not impressed, at least, that the gun could be made in Canada. I had very great faith in Canadian industry, but there was nothing to indicate to me that he could do it. After he came back from England, then I had great hope of seeing the gun and other things made in Canada.

Q. What was your expectation with regard to a source of supply prior to that time?—A. Until Major Hahn came back from England I was of the opinion that we would, in all probability, buy our Bren guns in England.

Q. There was an exhibit referred to last night indicating that in February you had received advice from the war office that the British war ministry had finally accepted or decided to standardize the Bren gun as their light machine gun.—A. That is right; I received the letter in March, 1936.

Q. And that it would be made available to the dominions. What action was taken in the meantime by initiative of the department to explore sources of supply either in Canada or in England?—A. We inquired from the war office



about prices and deliveries, and there is ample evidence to that effect in the record.

Q. Is it not true that there is one exhibit on record, a communication from Sir Harold Brown, indicating that guns might be procured in England by 1939?

—A. There is a letter to some similar general effect, yes.

Q. What consideration was given in the department to that communication?

—A. I continued trying to get more precise information as to prices and deliveries.

Q. The minister explained that there were two schools of thought in the defence council with regard to public manufacture. Can you give your personal explanation as to why you did not consider it advisable to undertake public manufacture of the Bren gun in Canada?—A. Yes. I have tried to be realistic in arriving at my opinions in regard to rearming Canada. I studied the principles being considered in other countries, particularly Great Britain; and I recalled what had happened in the last war and was fairly well familiar in a general way with what Canada had done in the Great War towards producing munitions. As a result of my studies and looking into the question, I became thoroughly convinced, and I am still thoroughly convinced, that no country can get the volume of munitions and armaments required to carry on a great war unless it gets production in all its national industries, in all its domestic industries. When I came to the conclusion that to get volume of supply one required the output of everything in the country, I automatically became convinced that, unless the state became socialized, it was a necessity to encourage private industry and to look to private industry for the great mass of production that would be required in time of war.

Q. I put it to you that you had a special problem with regard to the Bren gun?—A. It was only one problem, Mr. MacNeil; one of many.

Mr. BERCOVITCH: Of many.

*By Mr. MacNeil:*

Q. May I suggest it is related in some way to the manufacture of rifles and other guns up to half-inch calibre?—A. Not as certain gentlemen who have spoken about the matter seem to believe. There has been up to date no requisition and no likelihood of a requisition for rifles for the Canadian forces. We have a sufficient number of rifles in store.

*By Mr. Homuth:*

Q. What type of rifles have you?—A. May I just answer that to make it just as clear as I possibly can. I said that we have a sufficient number of rifles in stock, in storage. I want to emphasize that by adding that the priority—that if further rifles are required, their order of priority of delivery is very far down the line. The purchase of additional rifles has never been a live question in the department until; not even yet at this date is it a matter of live interest.

*By Mr. Brooks:*

Q. Is it not a fact that you have a quantity of rifles in store, but their quality is considered very inferior at the present time?—A. The fact, sir, is that the reports, the official reports—and I obtained one recently because the matter was somewhere questioned publicly—state that the rifles in the possession of the department, in storage in the department, are in serviceable condition.

Q. They are rifles of the same type as those used during the Great War?—A. Yes; and the same rifle that is still being used by the Imperial forces.

Q. Yes; that is the Enfield rifle.—A. Quite right.

[Major-General L. R. LaFlèche.]

Q. But they have manufactured a new Enfield rifle since the war and equipped their forces with the newer rifles?—A. Possibly so, but our Lee-Enfield rifles are in serviceable condition.

Q. I do not think that is the general impression.—A. Well, I am telling you the facts. I cannot help what the general impression is. I am telling you the facts.

Q. I have had some experience with militia in target shooting and so on, and I have heard numerous soldiers and officers say that the present rifle is not serviceable, that it falls down when it comes to shooting on the ranges and other places.

Mr. BERCOVITCH: At any rate, this is irrelevant.

Mr. MCPHEE: Are we taking the evidence of General Lafleche or of Mr. Brooks?

Mr. BERCOVITCH: This has nothing to do with the Bren gun or the Bren gun contract.

The WITNESS: Perhaps it is not relevant, Mr. Chairman, but it is a matter of very great interest to many of us.

Mr. BROOKS: Yes.

The WITNESS: I assure this committee, Mr. Chairman, that the official reports I have from those directly responsible, state that our Lee-Enfield rifles and the others are in serviceable condition. Let us understand that now. One must grant and one must realize that when you deal with many different articles, with many articles of the same kind, in the course of their being used some will fall down, some will become damaged, some will wear out, and have to be repaired. Is it possible, Mr. Chairman, that Col. Brooks's informant was impressed by the fact that he happened to see some rifles, one or more, which at the time happened to be unserviceable? But that certainly does not apply to our reserve rifles. They are reported, I repeat, to be in serviceable condition.

*By Mr. MacNeil:*

Q. I should like to revert to the point at issue and that is the question of public policy referred to this committee—as to whether or not small arms should be manufactured under public auspices or private auspices. Am I clear now that no definite action was taken by your department except merely of an exploratory nature between February, 1936, when you had your first intimation that the Bren gun would be standard equipment of the British army, until the date that Major Hahn made his proposal?—A. Your conception of what happened is not correct, Mr. MacNeil. I told you that we had made inquiries of the war office as to prices, as to time of delivery, etc.; and that the department was pursuing, was attempting to get information when Major Hahn called at my office.

Q. In July, 1936, I understand the requirements for Canadian forces were indicated as 7,000 guns?—A. At about that time, yes.

Q. And the impression was given from the evidence that it was then considered a matter of urgency by the department?—A. Yes; and enquiries were made, I believe, in July, or August of the war office to ascertain what they would cost and when they could be obtained.

Q. Following up my previous question as to the relation between this and the general manufacture of small arms, am I correct in assuming that you had a problem of not only arming a peace time establishment but of preparing for an emergency that might occur, and that you were endeavouring to build up some sort of industry that would not only meet immediate requirements but would meet the requirements that might unfortunately occur in the event of an emergency?—A. Not in July and August, Mr. MacNeil. At that time the

department was trying to find out from the war office what Bren guns would cost, when they could be obtained and in what numbers; and I refer you to the record.

Q. When you took into the consideration the problem of manufacturing 7,000 guns, which was a large order for reorganizing the forces, did you not relate that in any way to the possible manufacture of other small arms?—A. At the moment, no. We did later. I do not want to bore your committee, Mr. Chairman, but I do wish that all gentlemen would please remember that at the beginning the only thought of source of supply was the war office, and we were not in the market for 7,000 guns at that time. Our first enquiries were for about 2,000 guns—when could they deliver them and what would they cost.

*By Hon. Mr. Stirling:*

Q. What date was this, General LaFleche?—A. I think, sir, in July or August; and we attempted—

Q. 1936?—A. 1936, yes; and even in December, 1936, we were still trying to find out what was the real price we would have to pay and when we could get them.

*By Mr. MacNeil:*

Q. At this stage is it not true that some of your prominent officers in the department, high ranking officers, recommended public manufacture of Bren guns?—A. Some of them were definitely inclined towards public ownership and public operation, yes.

Q. On the grounds, as I understand it, that that would insure public safety and insure earlier delivery?—A. Their reasons I do not know. Their reasons presumably or undoubtedly were because they thought that was the proper way to do it; and as my minister told you yesterday, he did bring up in cabinet council the question of public ownership versus encouragement of or co-operation with private industry in regard to an ammunition plant at Valcartier, part of the grand scheme; and you know the decision given by cabinet council; it was explained to you yesterday by Mr. Mackenzie.

Q. Was there any estimate prepared with regard to a small arms factory in particular?—A. There was prepared an estimate; and I think I am perfectly right in saying it was a very rough estimate and perhaps not too accurate an estimate, because I do not think at the time those interested had sufficient information about the machines and so on to manufacture a machine gun. Nevertheless, they did put up something that I shall describe as a plan to put up at Valcartier a machine shop—get the distinction, please—a machine shop in which a limited number of rifles and machine guns could be made—in which, I repeat, a limited number of rifles and machine guns could be made. They called it a machine shop, not a gun factory.

Q. What was the amount of the estimate?—A. I forget.

Q. Was the amount so formidable that it could not be submitted to parliament?—A. I do not want to hold back, but I do not think that is a fair question. It is not for me to say—

Q. I will not press it.—A. I do not want to appear to hesitate or hold back—not a bit of it; but it is not for me to say what will be put up to privy council or rather Parliament.

Q. Was it one million, two million, or three million?—A. I think the machine shop was a million dollars. As I say, I believe that was the amount.

Q. Was that the total capital outlay contemplated?—A. Yes. But, mind you, again, please remember that it was not a gun factory in the sense we know it now. It was a machine shop in which a limited number could be turned out.

[Major-General L. R. LaFleche.]



Q. Were not those estimates prepared by experts in ordnance who understood the machine layout at Enfield?—A. They were prepared by the best informed officers in the service of the department at that time, yes.

Q. Did not some of them have previous experience at Enfield or at Woolwich arsenal?—A. Possibly one of them, yes; but not in regard to modern machine guns. May I explain, Mr. Chairman, that all our ordnance officers, or at least certain classes of our ordnance officers, are technically educated men, scientifically educated men, engineers. Then they specialize; they take up different problems. But none of them at that time had completed the study of the manufacturing processes of modern machine guns.

Q. But they knew the general principles of small arms manufacture?—A. Quite right.

Q. They knew the principles of the manufacture of heavier machine guns?—A. Not more I believe than of the others.

Q. They knew a great deal about machine lay out for production purposes?—A. Theoretically, I would say yes; but not practically.

Q. Were they not the men who had conducted a survey of industrial plants in Canada?—A. Yes. But if so there is a great difference between conducting a survey, a general survey of Canada's industry and the actual planning—the laying out or planning the lay out of the productive machinery. One is general; the other is specific and minute in detail.

Q. Must we accept the conclusion that there was no one in the department who had qualifications comparable with those of Major Hahn with regard to this matter?—A. Oh, yes. We had people who in a general way had comparable knowledge of the problem.

Q. You are aware that Major Hahn had not previously engaged in ordnance manufacture?—A. Yes; and I knew that no ordnance or munitions had been made industrially in Canada since the war.

*By Mr. Brooks:*

Q. If Major Hahn had not come to the office, General LaFleche, had the department any intention of sending any of its own officers to England to learn about the manufacture of the Bren gun there? What were you waiting for? Were you waiting for somebody to come in and suggest the manufacture of it?—A. Mr. Chairman and Col. Brooks, I have already answered that question; but I shall do so again. I repeat what I said a moment ago, that we were trying—at that time we were trying to get prices and times of delivery from the war office.

Q. But you knew, General LaFleche, that the British war office had to supply their army with very large quantities. They were equipping their army with the Bren gun, and your department would be quite aware that it might be impossible for them to supply Bren guns to Canada?—A. No. We did not know that the war office could not supply us.

Q. Were you making any provision yourself, apart from the war office, or were you depending entirely on them?—A. That would have been an unwarranted assumption on my part. I could only ask and wait for information and try to get the information, which I did certainly try to get.

Q. When did you correspond first with the British war office to see if you could obtain delivery of the guns from them?—A. In the summer of 1936.

Mr. BERCOVITCH: I think he said July or August, Mr. Brooks. I think he has already said that.

*By Mr. Brooks:*

Q. It was after that you thought possibly you might set up a small factory or machine shop of some kind for the manufacture here on a small scale. That was being considered, I think?—A. No. I think that was already in the files.

It was part of what has been called the grand Valcartier arsenal scheme, the principle of which was tried out in cabinet council and turned down.

Q. Was it the intention to have this as a sort of sample machine shop where private industry could go and learn of the manufacture of these guns and then have plants throughout Canada manufacturing guns and other materials?—A. I do not believe that that was the thought at the time, no. That came about later on; I do not know whether the thought arose later, but at least it crystallized later—the idea of trying to put up a school for the education of Canadian industry. That came along later, I believe. At least, it was carried out practically later on.

Q. You cannot say then, General LaFleche, that you had any definite plan at all at this time in 1936 as to the manufacture of Bren guns? The department had formulated no definite plans at all as to the manufacture of them?—A. At the time we are speaking of, Col. Brooks, the only visible source of supply for the number in which we expressed an interest at the time was through the war office.

*By Mr. McGeer:*

Q. What time was that?—A. In the summer of 1936.

Mr. BERCOVITCH: July or August.

Mr. McGEER: The letter of November 3, 1936, which is in as exhibit 79 does not go quite that far, even at that date. I think that should be on the record, Mr. Chairman.

Mr. MacNEIL: What is the number?

Mr. McGEER: It is exhibit 79. It is in the form of a cable from the High Commissioner in London received by the Department of National Defence and reads as follows:—

War office state the arrangements now in progress for manufacturing Bren guns in this country on large scale and while definite rates of delivery cannot yet be quoted small numbers for training purposes might be supplied in 1938 with bulk of supplies in subsequent year.

*By Mr. McGeer:*

Q. I mean, the only thing you had an opportunity of getting in November from the British war office was a possible supply for training purposes in 1938 with bulk supplies in later years?—A. Quite right, Mr. Chairman, but I have already said several times that our inquiries had been initiated much earlier than November 3; as a matter of fact, the cablegram dated November 3 sent to us by the High Commissioner's office in London refers to a telegram dated the 17th of September.

Q. And also two letters to the war office were sent as early as March 28, 1936.

*By Mr. Brooks:*

Q. What exhibit is that telegram of September 17?—A. Might I just look it up.

Q. Would you mind reading it to us?—A. May I read it? It is exhibit No. 79.

*By Mr. McGeer:*

Q. No, no, I wanted the telegram of September 17, the one to which this is a reply. It is exhibit 70, I think. My date is September 17.—A. That is right, it is September 17.

Q. And it is exhibit 70—A. Exhibit 70 was despatched on the 17th of September, 1936:—

[Major-General L. R. LaFleche.]

Request war office to answer the following Stop If an order for Bren guns were placed by Canada in near future when could deliveries commence stop What would be rates of delivery and cost per gun stop What is minimum order required by war office to begin manufacture immediately.

Q. And that followed the letter of March 28 which is in as exhibit 162 to which no reply had been received apparently, which was a letter asking for full information as to the production costs, estimates, sources of supply and so forth?—A. Right, I believe.

Mr. BROOKS: What reply did you receive to your telegram of September 17?

Mr. McGEER: That is exhibit 79 which I read.

The WITNESS: The despatch from London on the 3rd of November, 1936, exhibit 79, which Mr. McGeer read a moment ago.

Mr. McGEER: Yes, I read it into the record and stated I was doing so at the time.

Hon. Mr. STIRLING: General LaFleche, how far had the industrial survey gone in October of 1936?

The WITNESS: Well, sir, it had really just begun as a definite undertaking. I do not know how many firms had been surveyed at that time, but it was going then.

Mr. McGEER: Well now, General LaFleche, was there any reply to your letter of February of 27th and the letter which is in as exhibit 68 from George P. Vanier for the High Commissioner which enclosed the letter of February 26 to the High Commissioner from A. W. Widdows of the war office notifying the fact that the Bren gun had been adopted and licences had been secured to manufacture it.

Mr. McPHEE: What year is that?

Mr. McGEER: This was all 1936, February of 1936; and then on March 28, 1936, you wrote to the department as follows:—

I have the honour to refer to your forwarding minute of the 12th March, 1936, transmitting copies of a secret letter dated 27th February, 1936, from the High Commissioner at London, with which he forwards a copy of a secret communication from the war office, dated 26th February, 1936, and an agreement relating to the Bren light machine gun.

These have been examined and, having regard to the agreement in question and in the event of it being decided to adopt the Bren light machine gun for use by the Canadian forces, it would appear that the agreement dated 24th May, 1935, makes provision for the numbers required being obtained under one or more of the following methods:—

- (a) By being supplied by the Secretary of State, under clause 6 of the agreement.
- (b) Through manufacture by the government of Canada, under licence from the Secretary of State, pursuant to clause 11 of the agreement, such manufacture being subject to the conditions set out in said clause.
- (c) Through manufacture by the government of Canada, under direct agreement with the patentee, made pursuant to clause 12, of the agreement.

In order to enable proper consideration being given to the question as to the procedure which would be recommended in the event of the



gun being adopted for use by the Canadian forces, some further information is thought desirable on the following points:—

1. With respect to the manufacture by the government of Canada under licence from the Secretary of State, granted pursuant to clause 11 of the agreement, is it possible to obtain an estimate of the cost of the requisite plans, specifications, etc., and technical assistance which might, in the first instance, be necessary? If any such estimate can be given the department would be grateful for the same. Further, can it be said to what extent such cost would include reimbursement to the Secretary of State in respect of payments made by him to the patentee under clause 5 of the agreement, or would any payments similar in character to those payable under said clause 5, be required to be made by the government of Canada direct to the patentee, based upon the number of guns which the government might manufacture under the licence mentioned?

2. In the event of the manufacture by the government, under licence granted pursuant to clause 11 what provision or arrangement would be made for determining the scale of royalties which would be paid by a particular government should the total number of guns manufactured, e.g., in England and in Canada, be such as to bring into effect one of the lower scales of royalties? This is particularly important as, under paragraph (2) of clause 11 the payment of the royalty would, in such an event, be paid by Canada direct to the patentee and the Secretary of State is not liable therefor. The guns so manufactured are however reckoned as part of the numbers specified in clause 4 of the agreement for the purpose of computing royalties, and it might conceivably happen that the need would arise for some co-ordination as between the Secretary of State for War and a particular Dominion or Territory in which guns are also manufactured for the purpose of apportioning the number of guns, etc., in regard to which the respective parties would pay royalties at a lower scale when the same came into effect. For this reason, it is thought that prior to the commencement of any manufacturing operations by a Dominion or territory, some procedure respecting the point raised above should be established.

3. In the event of manufacture under direct contract with the patentee, pursuant to clause 12 it is presumed that royalties would be paid direct to the patentee under such conditions as might be arranged and subject, of course, to the provisions of clause 4 of the agreement. With respect to the calculation of such royalties there appear however to arise the same questions as are set out in item 2 above.

I should be obliged if such information as may be possible could be obtained on the several questions as outlined.

*By Mr. McGeer:*

Q. That was a request for plans and specifications and information necessary to set up production in your own plant. Did you get any reply to that letter and if you did, when?—A. I can cover the whole situation I think by saying that I never had a satisfactory or complete reply to this correspondence.

*By Mr. Brooks:*

Q. Are your replies on the record?—A. They are, yes; but unfortunately I do not recall well enough to cite the different exhibits.

Mr. Brooks: Perhaps the secretary could find them.

[Major-General L. R. LaFlèche.]



Mr. McGEER: In any event that letter of March 28th, which is in as exhibit 162 which I have just read—

Mr. BROOKS: That was March 28th of 1937?

Mr. McGEER: No, 1936.

THE WITNESS: That was the action we took in regard to the war office letter, or the Canada House letter, the former of the preceding month when the war office sent us advice of the action they had taken towards securing manufacturing rights from Czecho-Slovakia.

Mr. McGEER: Then on September 17th having received no reply to that letter—

Mr. BERCOVITCH: That is 1936 again.

Mr. BROOKS: Just a moment, is that the letter to which you received no reply? You had better ask him whether or not he received any reply?

Mr. McGEER: All right, then I will ask my questions in that way.

Mr. BROOKS: If he has a reply I think we should have the reply read into the record. The secretary should be able to find it.

Mr. McGEER: All right.

*By Mr. McGeer:*

Q. Did you receive a reply to your letter of March 28th, 1936?—A. I cannot answer that without going through the record. I said a moment ago that I had never had satisfactory and complete replies to this correspondence, generally speaking.

Q. I mean, I am simply talking about the correspondence as between the war office and the department that has been put before the Davis commission?—A. It has all been put before the Davis commission.

*By Mr. Brooks:*

Q. Perhaps General LaFleche could tell us in what way replies were unsatisfactory?—A. I never had satisfactory information as regards to price. I never had satisfactory information as regards delivery.

Q. That was because they gave you to understand they were so busy preparing Bren guns for their own requirements that they could not supply Canada, wasn't that it?—A. No, that was not the clearest impression that I had. I had the impression that they themselves had not made their final preparations for the production of Bren guns to meet requirements.

*By Mr. MacNeil:*

Q. They made a quotation of £100 per gun?—A. Which was described as being a rough estimate and not to be relied upon.

Mr. McGEER: That is all that was contained in that exhibit 79—if I might just go through this correspondence as I have it, General LaFleche; the next communication that I find in the Davis commission record is the cablegram dated September 17th, 1936, exhibit 70:—

Request war office to answer the following Stop If an order for Bren guns were placed by Canada in near future when could deliveries commence Stop What would be rates of delivery and cost per gun Stop What is minimum order required by war office to begin manufacture immediately.

And apparently there is no answer to that communication.

The WITNESS: There were replies, but never satisfactory or complete replies.

Mr. McGEER: Well, where are they? If there are replies I would like to have them because apparently they are not on this Davis commission record.

Mr. BROOKS: I think we should have them in.

Mr. McGEER: That is what I say too. If there are replies we want them. I cannot find them in the Davis record and I am told all the correspondence is filed there.

The WITNESS: So it is.

Mr. BERCOVITCH: I think there is a letter or a cable in November that refers to this.

Mr. McGEER: It is a request for some information (exhibit 96).

Mr. BROOKS: General LaFleche does not say there were no replies, he says they were not satisfactory.

Mr. McGEER: If there are any replies, satisfactory or unsatisfactory, then the committee wants them.

Mr. BROOKS: Quite right.

Mr. McGEER: My information is that all the correspondence is before the Davis commission. Now, I have gone through all the exhibits and put them together and they indicate that there were not specific replies to either that cable or to the letter of March 28th.

*By Mr. Brooks:*

Q. Are there any replies that were not before the Davis commission?—A. No, everything was handed over to the government's commissioners, to the commission counsel rather.

Q. You remember seeing the reply to the letters and the telegram?—A. I have properly described the result of my inquiries, I never had satisfactory and complete replies.

Q. You had replies of some kind?—A. Yes.

Q. Where are they?—A. I will find them, if you give me time.

*By Mr. McGeer:*

Q. Might we go through the correspondence as I have got it filed here in these exhibits?—A. Yes.

Mr. McGEER: We have now dealt with your communication of March 28, which is exhibit 162. We now go to your communication, exhibit 70, which is a cable dated September 17.

Mr. FACTOR: Is there any correspondence between those two?

Mr. McGEER: No correspondence that I can find. If there is anything we want it. My information is there is nothing.

Mr. BROOKS: I cannot conceive of the British war office being so discourteous as not to reply to letters and telegrams. There must be replies somewhere

Mr. McGEER: We will find them if there are, but as a matter of fact my information is that there are not, and I have gone very carefully through the whole record.

The WITNESS: Mr. Chairman, may I make a statement? I have I think in the department in another sequence than these documents are in, copies of the documents that were in the file and handed over to the commission counsel. I have them in my office in another sequence, a chronological sequence, whereas these exhibits are in the order in which they were submitted to the commissioner.

Mr. McGEER: I have taken them out in chronological sequence. I have taken out the correspondence between the Department of National Defence and the British war office and the High Commissioner's office and put them in order of date and they are here.

[Major-General L. R. LaFlèche.]

The WITNESS: Then I can't be of any further assistance if you have done that. That is all I could offer.

Mr. McGEER: You see the impression that is left with the committee is that there were other answers to these letters which have not been filed with the Davis commission.

The WITNESS: Well, if that impression exists it is erroneous.

Mr. McGEER: That is what I want to be clear on.

The WITNESS: I want that very well understood.

Mr. BROOKS: I think perhaps you have created a false impression.

The WITNESS: I would like to know how I have created a false impression, I had no intention of doing so.

*By Mr. McGeer:*

Q. What you said is this; you did not get satisfactory answers to the correspondence. The file before the Davis commission shows that at least as late as September 17 you had no reply to your letter to the war office of March 28?—A. No satisfactory replies. I had to wire, to cable, as I did, on the 17th.

Q. And this cable was sent in answer to the cable of September 17?—A. I have made that statement here already this morning. I made inquiries. I tried to get answers, and I never received complete answers.

Q. Then, there was no reply to the letter of March 28 to the war office; on September 17, 1936, you cabled as is disclosed in exhibit 70 requesting the war office to answer that letter—I have already read that exhibit into the record. What I am getting at is that you have no reply that I can find to your letter of March 28 at the time you sent that despatch; is that correct?—A. That is right I believe.

Mr. BROOKS: You say there was no reply to this telegram?

Mr. McGEER: There was no reply to the letter of March 28 at the time the telegram was despatched on September 17. That is a fact. And then on October 28 a message was sent as is disclosed by exhibit 96 to the acting Secretary of State signed Laurent Beaudry, and it reads:—

With further reference to your secret despatch of February 27, 1936, No. A/1, on the subject of the manufacture in Canada of the Bren light machine gun, I am enclosing herewith a copy of a secret letter of October 20 from the Department of National Defence.

Since the letter bears upon some aspects of defence policy, which, I believe, were considered by the Prime Minister before his departure abroad, I would ask you to consult him while he is still in London before acting upon the requests made in the letter.

And that enclosed a letter signed by yourself to the Acting Secretary of State for External Affairs of October 20th, 1936.

Mr. BROOKS: Now, exhibit 76 reads as follows:

Your telegram 113 September 17th respecting Bren guns have ascertained verbally from the war office reply could be expedited if it were possible to give estimate of number required.

*By Mr. Brooks:*

Q. Would that have any reference to exhibit No. 70, General LaFleche?—

A. Yes, you will recall that my cable, exhibit 70, was despatched on the 17th of September and exhibit 76, the cable from Canada House to the Department of National Defence at Ottawa under date of the 22nd of October refers to my cablegram of September 17th, or exhibit No. 70.



Q. Asking for more information?—A. Asking for an estimate on the number of guns required.

*By Mr. McGeer:*

Q. What I want to get at is, the wire of October 22nd appears to be the only answer that the Department of National Defence received in reply to the letter of March 28, 1936, the telegram of September 17th, 1936, the first reply you got was on October 22nd which intimated to you that if they knew the number of guns you wanted it would expedite the possibility of giving you the information you required?—A. I think that is correct.

Mr. BROOKS: Did you follow it up then after receiving this cable of October 22nd?

Mr. McGEER: You will find that in exhibit 77; that is the next day, October 23, exhibit 77, a message from Clyde Caldwell to the deputy minister.

Mr. BROOKS: That shows the estimate of 7,000 Bren guns as being the likely requirements of the Canadian forces.

Mr. McGEER: Will you read that exhibit No. 77, which is dated October 23rd, and is a memorandum signed by Major General Clyde Caldwell, M.G.O., to the Deputy Minister of National Defence, we should have that on the record.

Mr. BROOKS: Yes, I will. It reads:

An estimate of 7,000 Bren guns has been made as the requirements of the Canadian forces.

Major Hahn who is proceeding to England in connection with the manufacture of the Bren Machine gun in Canada may take some time to obtain a satisfactory agreement, if such is possible. To equip a factory will take some time, at least a year before production could begin, and the time might be longer as it is almost impossible to get delivery of English-made machines within 12 to 18 months. In view of this I consider that we should give the war office an estimate of 2,000 guns, and we could then decide what further action could be taken once we had a reply from them.

*By Mr. MacNeil:*

Q. Does that not indicate that there was an understanding amongst the department officials that they would do business with Major Hahn at that date?—A. It does not indicate that.

Q. It says, "Major Hahn who is proceeding to England in connection with the manufacture in Canada of the Bren machine gun."—A. It indicates that here is a Canadian industrialist who is going on his own initiative to England in regard to the manufacture of munitions, precisely as stated here, the Bren machine gun amongst other things. The Master-General of the Ordnance reports that to me. Now let us proceed and see what went on—

*By Mr. Brooks:*

Q. Just a minute, General LaFleche. According to this letter of the 23rd of October, you must have had information from England that they could deliver Bren guns within twelve to eighteen months; is that correct?—A. You mean under exhibit 77?

Q. Yes.—A. He does not say in his memorandum where he gets his justification for making that estimate of time.

Q. No, but he states it definitely.—A. He says, "To equip a factory will take some time, at least a year, before production could begin, and the time might be longer as it is almost impossible to get delivery of English-made machines within twelve to eighteen months."

[Major-General L. R. LaFleche.]

Q. He is explaining why Major Hahn is being recommended to construct a factory and he states that to produce them would take twelve months, or if they tried to get them from England it would take from twelve to eighteen months.—  
A. I did not take it to mean that.

*By Mr. MacNeil:*

Q. The point of my previous question was this. I suggest the general trend of all the correspondence, not only this particular exhibit but, for example, exhibit 74, where you say, "In this connection the department must consider the possibility of the gun being manufactured in a plant or plants other than government-owned, such as for example those controlled by Major Hahn and his associates"—the whole trend of the correspondence indicates that you excluded all other alternatives except manufacture under the auspices of Major Hahn and his associates?—A. Repeat that, please.

Q. I say the whole trend of the correspondence seems to indicate that you excluded all other alternatives except manufacture by Major Hahn in Canada. Your evidence also shows that you did not explore any other possibilities in Canada.—A. There is other correspondence on file—you were over it yesterday, as a matter of fact—which is plainly to the contrary.

Q. What other firm was considered?—A. None other.

Q. Is it not true that other firms were approaching the department constantly offering their facilities for the manufacture of munitions?—A. Not for Bren guns.

Q. For munitions generally.—A. Munitions are not armaments.

Q. I mean general war equipment.—A. Yes.

*By Mr. McGeer:*

Q. Could we not pursue this correspondence that I was dealing with in order to keep the record straight and then you can deal with your point? That is a separate thing; it has nothing to do with the chain of relationship which existed between the British war office.

Mr. BROOKS: It comes out of the correspondence.

Mr. McGEER: It deals with another point, and I was trying to keep the record straight.

Exhibit 76 is a cable from London dated October 22 and reads:—

Your tel 113 September 17th respecting Bren guns have ascertained verbally from the war office reply could be expedited if it were possible to give estimate of number required.

On October 23, as indicated by exhibit 77, we have the information supplied to you by the Master-General of the Ordnance, Major-General Clyde Caldwell, which reads as follows:—

An estimate of 7,000 Bren guns has been made as the requirements of the Canadian forces.

Major Hahn who is proceeding to England in connection with the manufacture in Canada of the Bren machine gun may take some time to obtain a satisfactory agreement, if such is possible. To equip a factory will take some time, at least a year, before production could begin, and the time might be longer as it is almost impossible to get delivery of English-made machines within twelve to eighteen months. In view of this I consider that we should give the war office an estimate of 2,000 guns, and we could then decide what further action could be taken once we had a reply from them.

If you approve, I will cable to the High Commissioner the number of 2,000 as an estimate—draft attached.

Mr. MACNEIL: Indicate the annotations, Mr. McGeer.

Mr. McGEER: C.T.O. Will you please arrange for dispatch in "code."

(Sgd.) J. J. Harris, Major for M.G.O.  
M.G.O. Action taken as desired.

(Sgd.) A. E. W.

And on October 23, the same day—

The WITNESS: The day before.

*By Mr. McGeer:*

Q. No, the same day.—A. One was dispatched on the 24th, and the one you are reading—

Q. I am now talking about exhibit 77, which I understand is dated the 23rd of October, according to my copy. Is that right?—A. If you read the last notation—

Q. I am now dealing with this message from Clyde Caldwell to you dated October 23.—A. Quite.

Q. Then there is a dispatch to the High Commissioner, exhibit 77.—A. Attached to exhibit 77. It is not numbered; it is attached to 77.

Q. My copy is numbered 77.

Mr. MACNEIL: It is part of exhibit 77.

Mr. BROOKS: They are all part of the one exhibit.

*By Mr. McGeer:*

Q. I say it is exhibit 77. It is not attached, it is part of the exhibit?—A. Yes.

Q. And it is dated October 23, and it is a message from the deputy minister, L. R. LaFleche, to the High Commissioner in London, reading as follows:—

Your———October twenty-second. Presuming for example that Canada were to order 2,000 Bren guns from war office in near future when could deliveries commence what would be rate of delivery and cost per gun.

In reply to that you got the message, exhibit 79, which is dated the 4th of November, 1936.—A. The third, sir.

Q. The third, that is right. It was received on the 4th of November. It states:—

Your tel 113 September 17th. War office state the arrangements now in progress for manufacturing Bren guns in this country on large scale and while definite rates of delivery cannot yet be quoted small numbers for training purposes might be supplied in 1938 with bulk of supplies in subsequent years. Estimated cost per gun including tripods and spares will be in neighbourhood £100 but this figure is not regarded as firm price. Army council would be glad to learn full requirements Canada for these guns from this country as soon as possible as it may be necessary to arrange for further source of supply if demands are large.

Now, that is dated November 3. That is the only reply of any consequence I can find in the record to your letter of March 28 and to your subsequent inquiries. Is there anything else?—A. It is proof of what I said a moment ago that I never had a complete and satisfactory reply.

[Major-General L. R. LaFleche.]



Q. The point we were trying to get at is, are there any other letters? I have gone through the files very carefully and I have not found any others.—  
A. All the documents were exhibited to the commissioner, and without going through all of them I cannot say whether any other replies were received or not. I have sent to my office to get my copy of the chronologically arranged copies of the documents.

Mr. McGEER: Then I think, Mr. Chairman, we had better leave that matter until he can make a check and find out if there are any others. It would be rather regrettable to leave the committee in doubt as to whether there is any correspondence which we have not before us.

The WITNESS: May I say that you have all the correspondence, but in the order in which they were exhibited; no one, without going through all these documents, can say exactly what is here.

Mr. McGEER: Of course, I cannot give evidence, but I have gone through and had these letters selected. As I say, I have made a careful search through the files, and of course, all that I know is what I can find in the record of the Davis inquiry. The impression is unfortunately left with the committee that there might be some other replies, and, if there are any other replies, of course, we want them.

The WITNESS: I have stated, Mr. Chairman, very definitely that all the original documents were handed over to commission counsel and they were exhibited. It is a question of being able to find them readily. I have sent for my copy of the chronologically arranged set of copies of documents. Until I get them I cannot say offhand what is here and what is not here.

*By Mr. Brooks:*

Q. Speaking about the indefinite replies from England, the war office asked us for quite definite information as to our requirements. In exhibit 77 of October 23, General LaFleche cabled to the High Commissioner in London and his statement there is not very definite. He says, "Presuming for example that Canada were to order 2,000 Bren guns from war office in near future when could deliveries commence." That is not a very definite statement. Then again in exhibit 79 the High Commissioner in London in his cable to the defence department here says: "Army council would be glad to learn full requirements Canada for these guns from this country as soon as possible as it may be necessary to arrange for a further source of supply if demands are large." Again they ask for something definite. Did our department here give them the definite information that they asked for? You could hardly expect definite replies if you did not give them the information they desired.—A. I had been waiting for a reply from March, 1936, a matter by that time of seven months.

*By Mr. MacNeil:*

Q. Is not the explanation found in exhibit 80, which is your memorandum, signed by yourself, addressed to the Master-General of the Ordnance? This exhibit reads:—

Secret naval radio message No. 823 from the High Commissioner, London, materially changes the situation in some respects. Your remarks regarding the desirability of placing an order through the war office would be welcomed.

Notwithstanding the above, the department should not lose all interest in Major Hahn, who is now in England for the purpose of obtaining information, which might possibly lead him to propose producing the Bren gun in Canada.

Please say what you think of sending a secret dispatch to the High Commissioner, London, in the following general terms:

Please request Major Hahn now in England to communicate to me through your office in cypher his impressions as to the possibility of producing Bren guns in Canada (Stop) This is now very urgent and details such as time deliveries could be made, also close estimates of price are desired.

Is it fair to assume that from that stage on the interest centered principally in Major Hahn, as Major Hahn, as your representative, conducted the negotiations?—A. It is not fair to so assume. Here is the correct explanation. At that time I had hoped, and I would not lightly and I did not relinquish my grasp, of having our guns made in Canada. The ideal situation in which any country finds itself in time of war is to be able to produce in the country that which is required to pursue a war. I did not know until December, I had nothing definite to go on until Major Hahn came back from England in December, 1936, that there was indeed a possibility of having Bren guns made in Canada. From December, 1936, onwards until May, 1937, I attempted through official channels to get a statement of the intentions of the war office as to buying Canadian made guns. That is the proper way to look upon that.

*By Mr. MacInnis:*

Q. How could the war office at that time have any intention of buying any Canadian made guns as no guns were being made in Canada?—A. They were not being made in England at that time.

*By Mr. MacNeil:*

Q. They were planning production.—A. Certainly, they were.

*By Mr. MacInnis:*

Q. But we were not at that time planning for production in Canada?—A. No, but because we were not planning production in Canada was no reason why I should not go ahead and work towards making Canada a self-contained country in regard to producing its own armaments and munitions material. I have been working at that all the time, I am working at it to-day, if you wish to know it, and I am going to continue to work on it.

*By Mr. Brooks:*

Q. You said this morning you expected to get your requirements from the war office.—A. At the time I did not see any possibility of getting them elsewhere, in regard to Bren guns and in regard to other things. From the moment the matter of supply engaged my attention I have hoped to see Canada a self-contained country in this respect, for her own defence and for the defence of other parts of the world; to be precise, the empire; and I have worked definitely towards that end and I am going to keep on working towards that end.

*By Mr. McGeer:*

Q. We have dealt with exhibit 80, which is a memorandum from LaFlèche to the Master-General of the Ordnance and which indicates that a further communication was forwarded to London. Now the communication that was forwarded to London is exhibit 81.

Mr. MACNEIL: May I interject—

Mr. MCGEER: I mean, you have dealt with the memorandum from the department, that is, the interdepartmental committee memorandum. Now I want to put on the record the communication that went to London as a result

[Major-General L. R. LaFlèche.]

of that. This is exhibit 81, dated November 6. It is from Major-General Clyde Caldwell to the High Commissioner:—

Your eight two three November third ask war office to state in what respects situation—

Mr. BROOKS: Why not read it all?

Mr. McGEER: I am reading the message, not the memorandum dealing with it. I will read that afterwards.

Mr. BROOKS: You are putting the cart before the horse.

Mr. McGEER: I am not putting the cart before the horse. I am dealing with the message that was dispatched; you are dealing with the memorandum covering it. The message dispatched on November 6 to the High Commissioner and signed by Major-General Clyde Caldwell, Master-General of the Ordnance, reads as follows:—

To High Commissioner:

Your eight two three November 3rd ask war office to state in what respects situation would alter particularly as regards rate of delivery and price were we to place orders with them for four thousand guns and alternatively seven thousand guns STOP Specify if price includes inspection packing and royalty and if not give approximation of such costs STOP A reply to our radio of October thirtieth regarding tools and gauges urgently required in order to admit of full consideration of this problem STOP Please request Major Hahn now in England to communicate with me through your office in cipher his impressions as to the possibility of producing Bren guns in Canada STOP This is urgent and ask him to give details such as time required for delivery and estimated cost.

There is a memorandum covering that message which reads:—

I concur in the proposed action with respect to Major Hahn, but I would suggest that we obtain further information from the war office as set forth in the proposed radio hereafter:

Apparently that was followed up by exhibit 97 which is dated November 6. That is from George P. Vanier, Secretary of State for War.

Mr. MACNEIL: It is addressed to the Secretary of State for War.

Mr. McGEER: From George P. Vanier, Secretary of the High Commissioner—that is who he was—addressed to the Secretary of State for War. What did I say?

Mr. BERCOVITCH: Secretary of State for War.

Mr. MCPHEE: You said he was Secretary of State for War?

Mr. McGEER: No. It is signed by George P. Vanier, and addressed to the Secretary of State for War.

*By Mr. Brooks:*

Q. Before we leave exhibit 81, I should just like to ask General LaFleche a question which comes up. In this we read:—

A reply to our radio of October 30th regarding tools and gauges urgently required in order to admit of full consideration of this problem. That was with the intention of manufacturing the Bren gun. The tools and gauges refer to the manufacture of the Bren gun in Canada, do they, General LaFleche?—A. Yes, in a way. But it was more precisely, more directly for the purpose of studying the problem of the manufacture of the guns. First, you must study it and finally come to a decision "yes" or "no."

Q. At the time you were negotiating for the possible purchase of guns you also had in mind the possible purchase of tools, gauges and dies for the manu-



facture of guns?—A. For the purpose of studying the possibility of having this hoped for plant in Canada; quite right.

Q. You had not given up that idea at that time?—A. No, Col. Brooks; and I never gave it up.

Mr. McGEER: This is what I wanted to get clear, General LaFleche; are the exhibits that we have read all the communications that existed between the Department of National Defence and the British war office from March 28, 1936, to November 3, 1936?

Mr. BERCOVITCH: Pertaining to Bren guns.

Mr. McGEER: Yes, pertaining to Bren guns.

The WITNESS: I have my copies of the documents in chronological order, and I think I am now in a position to answer your question. I will run through them with your permission, Mr. Chairman. You will recall that on the 28th of March, 1936, I replied to the letter dated 27th February, 1936, from the High Commissioner in London.

*By Mr. McGeer:*

Q. Yes?—A. Then followed on the 1st of April, 1936, the usual acknowledgment to the Under Secretary of State for External Affairs; that is the letter dated 17th March; and that was the beginning of it. It was in a covering letter dated 17th March, 1936, that we had that information from the war office through the High Commissioner.

Q. Yes?—A. On the 2nd of April, 1936, the Under Secretary of State for External Affairs wrote to the High Commissioner for Canada in London.

*By Mr. Brooks:*

Q. Are those marked as exhibits, General LaFleche? I just ask so that we might know.—A. Yes. I will try to find that exhibit number for you.

Q. I thought perhaps what you had there was marked as an exhibit.—A. No. But I will try to find it.

Mr. BERCOVITCH: It is on file.

Mr. BROOKS: I will not ask you to take the time to do that now.

Mr. McGEER: You might let me have a look at that file. I might be able to identify it from my exhibits.

The WITNESS: Mr. Chairman, the secretary might have the information. Could the secretary of the committee look up the records?

Mr. FACTOR: Yes; instead of wasting time.

The WITNESS: I am sorry to take this time.

Mr. FACTOR: We could have that later on.

Mr. BROOKS: I realize it is a very difficult thing to do.

The WITNESS: I do not want to detain the committee.

*By Mr. McGeer:*

Q. That letter of April 2nd is merely a covering letter of yours of March 28th.—A. Quite right.

Q. It is practically the same thing?—A. Quite right. I am attempting to give them all to you.

Q. There is here a letter of April 2nd which is addressed by O. D. Skelton to the High Commissioner for Canada in Great Britain. That is the follow up.

Mr. MACNEIL: What exhibit number is that?

Mr. McGEER: I do not recall that exhibit number.

Mr. MACNEIL: Could General LaFleche give us the purport of the letter?

[Major-General L. R. LaFlèche.]

Mr. McGEER: What I suggest is it might be read in. I think it would be quicker than reading it in. It is March 28th and it is a reproduction. If you will recall exhibit 162, March 28th was a letter of General LaFleche to the Under Secretary of State which was in turn, on April 2nd, conveyed to the department.

The WITNESS: The High Commissioner.

Mr. McGEER: By the Under Secretary of State to the High Commissioner in London.

The WITNESS: Precisely. It quotes my letter dated 28th March.

*By Mr. Factor:*

Q. That is April 2?—A. On April 2, yes.

Q. It is practically the same document?—A. Yes, it is practically the same document.

*By Mr. McGeer:*

Q. It is the same document—that is April 2; it is simply a reconveyance of the letter of March 28 to the High Commissioner in London?—A. It is, yes.

Q. By the Under Secretary of State, Mr. O. D. Skelton.—A. Would you please ask your secretary to look up the reference number of that document.

The CHAIRMAN: Yes.

The CLERK: Of what?

The WITNESS: Of a cable message from the war office of the 14th May, 1936. Shall I read this into the record?

Mr. McGEER: Yes.

The WITNESS: It is as follows:—

My 97871 of 8th May repeated as follows: Production of Bren light machine gun starts Enfield 1937. First three years' production Enfield already booked for United Kingdom forces.

Possibility open up production 1937 in civilian factories to supply further requirements, if demands are sufficient to justify expenditure. Paragraph 17 of quarterly letter now being despatched refers. Should you require guns, it would be greatest help if you could submit estimates of numbers required up to end of 1939 or preferably numbers required in 1937, 1938, 1939, respectively.

That is a message from the war office.

*By Mr. McGeer:*

Q. To whom?—A. To the Department of National Defence.

Q. What was the reply to that?

*By Mr. Brooks:*

Q. What follows that?—A. We had already taken action. I had covered the position in so far as we were concerned at the moment in my letter of 28th March, 1936. Now we come later on to things more precisely in respect thereto.

*By Mr. McGeer:*

Q. Yes?—A. I take it we are now trying to put into your record everything that passed between the two cities, London and Ottawa.

Q. Yes.—A. The two departments.

Q. Yes.—A. We find on the 15th June, 1936, a letter from the office of the High Commissioner in London to the Secretary of State for External Affairs,

Ottawa. That was forwarded to my department on the 13th July, 1936, with a little note from the Department of External Affairs.

*By Mr. Brooks:*

Q. What was the substance of the letter, General LaFleche?—A. May I read it?

Q. Yes.—A. The letter is signed by Colonel George P. Vanier for the High Commissioner, London, is to the Secretary of State for External Affairs, dated 15th June, 1936, and is marked "Secret." It reads:—

With reference to your secret despatch No. 67, dated the 2nd April last, relating to the Bren light machine gun, I now enclose copy of a war office secret letter dated the 12th June, 1936, No. 57/SA/792 (D.C. 1), furnishing replies to the several points raised in your despatch.

That was sent to me on the 13th of July, 1936.

*By Mr. Brooks:*

Q. Could we have the secret letter that it refers to?—A. The letter referred to in the communication just quoted is dated "The War Office, London, S.W.1., 12th June, 1936," and is marked "secret." It reads as follows:—

With reference to your letter of the 16th April, 1936, No. A3/36, regarding the Bren light machine gun, I am commanded by the army council to inform you that until the council have further particulars in regard to the extent of manufacture proposed by the government of Canada, and of the amount of technical and other assistance required, it is not possible to give any estimate of the cost of the services enumerated in your letter.

I am accordingly to suggest that in the event of the government of Canada deciding to proceed with manufacture, information on this point should be furnished. In this connection, however, the council would observe that, unless the government of Canada propose to manufacture substantial numbers of the gun, the necessary expenditure would be much greater than if the guns were obtained from this country where production would be in progress.

As regards the specific points raised in your letter:—

1. Provided no services, technical assistance, etc., were required by the government of Canada from Ceskoslovenska Zbrojovka, no direct payment by that government to the firm under clause 5 of the agreement would arise.

2. It is recognized that the adjustment of royalties payable under the scale would have to be agreed upon between all the governments who take advantage of the agreement, but until the council are in possession of information as to the extent to which the various governments propose to adopt the agreement they are not in a position to make any proposals on the matter.

3. In the event of the government of Canada entering into a direct contract with Ceskoslovenska Zbrojovka the question of adjustment of royalty charges would not arise. In such a case the scale of royalties payable would be a matter of negotiation between the government of Canada and the patentee.

I am to add that the council trust that the foregoing information will be of assistance to the government of Canada in reaching a decision on the matter, and will be glad to furnish any further particulars.

I am, Sir,

Your obedient servant,

A. T. WIDDOWS.



*By Mr. MacNeil:*

Q. What is the date again, please?—A. That was dated in London, 12th June, 1936, and sent to me by the Department of External Affairs, Canada, on the 13th July, 1936.

*By Mr. Brooks:*

Q. That is, referring to the manufacture of Bren guns and not to the purchase?—A. Well, I might describe that as being in my opinion a very general description of how the acquisition of the guns could be proceeded with.

*By Mr. McGeer:*

Q. That is in reply to your letter of March 28th, is it not?—A. It is.

Q. Is there any other reply? That is the only reply we have got so far?—A. I am trying to go through the replies now.

Q. That is what I want to get, I want to get the sequence of events?—A. I think I have the means whereby I can satisfy your question now and I am trying to do so. I got it on the 15th of July, 1936, that letter to the acting Secretary of State for External Affairs, two days after it was sent to him, and then that engaged the attention of the proper branch of my department, the branch of the Master General of the Ordnance. Then we come to my cable of 17th September, 1936. You will recall that that was under consideration in the branch of the Master General of the Ordnance and on September 16th I received a memorandum from the Master General of the Ordnance reading as follows:

*By Mr. MacNeil:*

Q. Can you identify that by an exhibit number?—A. I trust so. It is a memorandum addressed to me by the Master General of the Ordnance and it is dated 17th September, 1936, and to which there is attached a proposed cable which reads:

The attached draft cablegram is recommended for forwarding to the war office immediately, in order to assist us in arriving at a decision as to the provision of Bren light automatic guns.

I immediately approved the attached draft cablegram and it was despatched. It was dated the 17th of September, 1936, and it has already been read here this morning. I am sorry I haven't got a copy of it.

*By Mr. McGeer:*

Q. That is exhibit No. 70?—A. Yes. It reads:

Request war office to answer the following. If an order for Bren guns were placed by Canada in near future when could deliveries commence. What would be rates of delivery and cost per gun. What is minimum order required by war office to begin manufacture immediately?

Mr. FACTOR: From there on we have already incorporated into the record all the documents affected.

The WITNESS: Well, they will be complete; what I am attempting to do now is to bring in everything—if I may proceed.

The CHAIRMAN: Yes.

The WITNESS: On the 17th day of October, 1936, I cabled the High Commissioner as follows:

Please hasten despatch information requested my cablegram 113 dated 17th September.

Then, to keep your chronological sequence, my copies of documents indicate that the next was a letter which I signed dated the 20th of October, 1936, to the Under Secretary of State for External Affairs—shall I read that?

Mr. BROOKS: Yes, please.

The WITNESS:

I have the honour to refer to previous correspondence pertaining to the Bren light machine gun, following on which the Department of National Defence has been investigating the question of the manufacture of this gun in Canada. Major J. E. Hahn, D.O.S., M.C., a former officer of the Canadian Expeditionary Force, and representing a reliable group which controls certain manufacturing plants capable of manufacturing armaments and munitions located in a large industrial centre where the labour and material factor is stable and favourable, has been in communication with the department.

Major Hahn has been afforded the facilities for examining the Bren light machine gun in detail, and has been given all the information in relation thereto which the department has at its disposal; due regard of course being had to the need for secrecy.

Major Hahn is proceeding to England within the next few days in connection with questions pertaining to the manufacture in Canada of munitions and armament, and in particular the Bren light machine gun. In connection with the above he has been given a personal letter of introduction from the Honourable Ian Mackenzie, Minister of National Defence, to the Honourable Vincent Massey, the High Commissioner, and the Department of National Defence would be pleased if arrangements could be made through the High Commissioner with His Majesty's government of the United Kingdom for Major Hahn to be given such facilities and information as the latter government may see its way clear to furnish.

With particular reference to the Bren light machine gun the department is desirous of considering as fully as possible the question of commencing its manufacture in Canada at the earliest date, and it would be pleased if the High Commissioner could institute tentative negotiations with the Secretary of State for War in regard thereto pursuant to the terms of the agreement of the 24th of May, 1935, between the Secretary of State for War and the patentee.

In this connection the department must consider the possibility of the gun being manufactured in a plant or plants other than government owned, such as for example those controlled by Major Hahn and his associates, and there arises the question as to the restrictive provisions of clause 11 of the agreement mentioned, especially paragraph (1) thereof.

As stated, such plant or plants would not be government owned, but the extent to which they would have to be operated by the government is not particularly clear in the agreement. An arrangement by which the government would take over such a plant and operate the same with its own employees as if it were a government owned plant does not particularly commend itself to the department. On the other hand, it might, through close supervision of such a plant, exercise such control over manufacture, and in particular output, as would have the same effect as if said plant was in fact being operated by the government.

In lieu of proceeding under the provisions of clause 11 of the agreement, as indicated above, an alternative might be to proceed under clause 12 of the agreement whereby the government of Canada would arrange direct with the patentee for a licence to manufacture the gun in Canada, either in a government owned plant or in a plant of the character mentioned above, under such terms and conditions with respect to supervision and control as might be mutually agreed upon.

In view of what has been stated, I should be extremely obliged if the questions raised could be referred to the High Commissioner, and

[Major-General L. R. LaFlèche.]

that he endeavour to obtain from the war office its views and advice thereon at the earliest possible date, as the procedure which will be followed in Canada concerning the manufacture of the gun would depend largely on the questions involved.

In view of Major Hahn's early departure for England, I venture to suggest the desirability of communicating with the High Commissioner as soon as possible.

*By Mr. Isnor:*

Q. Was that a secret communication?—A. All communications regarding armaments and munitions are marked "secret".

*By Mr. Brooks:*

Q. In this letter you state: "in this connection the department must consider the possibility of the guns being manufactured in a plant or plants other than government owned, such as for example those controlled by Major Hahn and his associates, and there arises the question as to the restricted provisions of clause 11 of the agreement mentioned, especially paragraph (1) thereof."

Had you anyone else in mind, any other plant, besides that controlled by Major Hahn and his associates at the time?—A. No, not particularly.

*By Mr. MacNeil:*

Q. Why was the plural of the word used?—A. The "s" in the word plant, in other words the plural of the word plant, has been remarked before this date. It was known. One explanation of it is that the John Inglis organization consisted of different shops or plants which could produce and which did produce different things, things of different classifications.

*By Mr. Brooks:*

Q. Well, you say, "such as for example," would not that imply that there were others?—A. The John Inglis plant is cited as an example of what could be used in Canada if it were decided to produce the guns or armaments in Canada in private plants.

*By Mr. MacInnis:*

Q. Was there a report from your officers in regard to this plant prior to the writing of this letter?—A. There is a report from the air force. I do not think it is clearly understood by this committee, that the John Inglis company first came to attention as a company interested in the possibility of making aircraft in Canada, and because aircraft had been suggested by them it was referred to the air force and they were asked to carry out a survey to see whether aircraft could be made in that plant.

*By Mr. MacNeil:*

Q. Was that report received before this letter was dispatched?—A. It was in the department. The air force had been instructed to carry out a survey before the date of the letter but the actual report did not come in until—did not come to me until the 23rd of October.

Q. Just a moment ago, General LaFleche, you made an important statement of policy and I think you should amplify that; you said it was your desire, as I understand it, to make Canada self-contained in regard to the manufacture of such weapons, not only for the defence of Canada but for the defence of the Empire.—A. I am speaking now of my own conviction, and that conviction has governed my recommendations. I came, as I said before this



morning, to the conviction, after studying what was being done elsewhere and remembering what I knew of industrial Canada—and I know something about it, gentlemen, and I have known ever since the Purchasing Commission of Canada days—what they were doing in other countries, particularly Great Britain and also the United States, I had information about France, and I also had some information about Germany and Italy, but I prefer to take Great Britain as my example.

Q. What do you mean by using the term “defence of the Empire” in connection with the requirements in this regard?—A. My first idea, naturally, because it is my duty to do so, I thought first of Canada; but I could not envisage a war in which Canada were subject to invasion, or in which Canada was engaged as a participant or even safeguarding its neutrality without doing everything in my power to see Canada self-contained or self-sufficient in respect to the production of armaments and munitions. Then as I said earlier this morning, and I repeat at this stage, speaking personally—it is not for me to decide what government policy shall be, but it was a factor in moving me to make any recommendations that I did make and that I may make from now on—in addition to making Canada self-contained in this matter for her own defence I am also of that school of thought which believes that to protect Canada we must if the necessity arises help our friends to defend themselves, and incidentally to help us defend our own country.

Q. And that requirement of 7,000 guns was set with the possibility in mind of other countries participating?—A. No, Mr. MacNeil, that is not right; they were not. The 7,000 establishment was set for Canadian requirements and that is plainly evident in the record as it went down before Commissioner Davis. We will need 7,000 Bren guns for Canada. We could not envisage manufacturing 7,000 guns in a new plant in Canada without realizing that to manufacture such a limited number, compared with the very substantial capital outlay required for a plant, we could not produce or have produced 7,000 Bren guns only at a reasonable cost. But if we could have produced in the same plant a sufficiently larger number, we could hope to get them at a reasonable price; and that is just what we have done.

*By Mr. Brooks:*

Q. Could you not envisage producing Enfield rifles and other small arms, General LaFleche?—A. Well, sir, through the chairman, Col. Brooks, I want to make that very definite, as I already tried to do this morning. There has never yet been any suggestion of acquiring more rifles. As yet there has been no requisition from general staff for more rifles. Please recall that the trend is towards machine guns all over the world. The thing explains itself, I suggest, sir.

Mr. FACTOR: It is one o'clock.

The CHAIRMAN: What is your pleasure, gentlemen?

Mr. BROOKS: To-morrow morning.

Mr. MACNEIL: We had three meetings yesterday and we were not able to attend to our other duties.

Mr. MCGEER: But the house will be closing soon.

Mr. MACNEIL: Some of us have to attend to our other duties sometimes.

Mr. MCGEER: We must get through this thing sometime.

Mr. BROOKS: It is very difficult for us. There was a matter yesterday that came up in the house when I was here; it was connected with my own constituency, as a matter of fact.

Mr. MACNEIL: Let us be frank about the situation. Last night we agreed to sit, and it was suggested that the Minister of Pensions and National Health would not go forward with his estimates. However, last evening he did and

[Major-General L. R. LaFleche.]

both Mr. Green and myself were placed in a most embarrassing position, because we received a message while we were sitting here that they were being taken. We are interested in the ex-service men and we are going to attend to the interests of the ex-service men. Those estimates will likely be up this afternoon, and it will be our one opportunity to discuss them. We are asking the other members of the committee to consult our convenience in this respect, inasmuch as we met theirs last night.

Mr. FACTOR: The same thing applies to us. There are several matters there we wanted to discuss.

Mr. MACNEIL: We are a smaller group.

Mr. HOMUTH: It was definitely arranged yesterday, Mr. Chairman, that if we did meet last night, Mr. Power would not go on with his estimates. It was arranged with the whip.

Mr. MCPHEE: I do not think definitely.

Mr. HOMUTH: It was definitely arranged.

The CHAIRMAN: It was definitely arranged, as I understood it, between both whips.

Mr. HOMUTH: Absolutely; it was arranged that they would not go on with Mr. Power's estimates.

The CHAIRMAN: The way I feel about it is that the members of the committee decently agreed last night to meet in order to permit the minister to get away this morning. I feel that in reciprocation we should meet the wishes of the minority group to-day and adjourn until to-morrow morning at 11.15.

Mr. BERCOVITCH: Unless the Minister of National Defence could go on with his estimates; then we will not sit to-night.

Mr. MACNEIL: He is going on to-night.

Mr. HOMUTH: There was an arrangement yesterday, and they scuttled the whole thing.

Mr. MCGEER: That is not true.

Mr. HOMUTH: I say it is true. I was there when the arrangement was made. We were definitely assured. Mr. Green was definitely assured.

Mr. MCGEER: The defence estimates were stood over.

Mr. MACINNIS: The defence estimates are finished.

Mr. MCGEER: The pensions estimates, I mean.

Mr. MACNEIL: They were called last night in the middle of this committee's meeting.

Mr. MCGEER: They did not go on last night.

Mr. MACNEIL: Yes, they did.

Mr. TURGEON: Mr. Homuth is entirely wrong when he says that the decision to sit last night was based on arrangement between the whips that the defence estimates would not go on last night.

Mr. BERCOVITCH: The pensions estimates.

Mr. TURGEON: The pensions estimates, I mean. That is not so. The chief whip was not here when we closed at six o'clock and the arrangement to meet at night was entered into. I was here. The question came up as to whether Mr. Power's estimates would be up or not and the chairman said, "We think that can be arranged." We adjourned at six o'clock with the decision which was taken on division, because those of you who were here know there had to be a motion—

Mr. HOMUTH: There was no division whatever.

Mr. TURGEON: There was a motion and the motion was put. There was no recorded vote, but there was a motion.

Mr. FACTOR: That is right.

Mr. TURGEON: There was a motion by Mr. Bercovitch.

Mr. HOMUTH: We all called "carried."

Mr. TURGEON: No. There was a motion by Mr. Bercovitch which was passed. The suggestion that you would meet was opposed from this corner of the table and Mr. Bercovitch moved a resolution which carried.

Mr. HOMUTH: It was moved on the understanding, Mr. Chairman, that the estimates would not come up; Mr. Gray came into the room last night and sat right here with Mr. Green and me and said there was an arrangement that way.

Mr. TURGEON: What I am getting at is this, and I want to have it clearly on the record, and I am making the statement, that this committee decided on motion of Mr. Bercovitch to meet last night at 8.15—or whatever hour it was—and when they made that decision there was no understanding with the chief whip in view of the evening meetings that the Pensions estimates would not come up; but after we left here at 6 o'clock I spoke to the chief whip and he said he thought he could arrange that Mr. Power's estimates would not come up. I met Mr. Green in the hall after adjournment and I told him that I did not think the estimates would come up, that I had just come from the chief whip's room. What took place in the evening, after 8 o'clock, between the chief whip and Mr. Green and Mr. Homuth was subsequent to the meeting of this committee at 8 o'clock and was not the understanding upon which this committee met. And now, that is what I want to get clear for the record. Whether these estimates should have come up or should not have come up is another question. That was not the basis of the meeting last night.

The CHAIRMAN: I would like, gentlemen, to say one word in the matter by way of explanation regarding last night. Following Mr. Turgeon's remarks, after we rose last night I got in touch with the chief whip and it was arranged that Mr. Crerar would go on instead of Mr. Power, just as stated here; apparently he got cleared up in much shorter time than we anticipated so the Minister of Pensions went on. I am just explaining that to clear myself, to make the position plain.

Mr. MACNEIL: In any event, Mr. Chairman, I understand that the Minister of Pensions held over two items of his estimates and that they will be coming up this afternoon. For that reason I think the convenience of our group should be accommodated and that we should not be asked to sit this afternoon.

Mr. BERCOVITCH: Very well then, Mr. Chairman, let us say to-morrow morning.

The CHAIRMAN: All right, we will adjourn until to-morrow morning at 11.15.

The committee adjourned at 1.20 o'clock p.m. to meet again to-morrow, May 24, 1939, at 11.15 o'clock a.m.







Dr. Doc Canada, Public Accounts, Standing Committee 1939  
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SESSION 1939  
HOUSE OF COMMONS

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STANDING COMMITTEE  
ON  
**PUBLIC ACCOUNTS**

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MINUTES OF PROCEEDINGS AND EVIDENCE

RESPECTING

**THE BREN MACHINE GUN**  
AND OTHER ARMAMENT CONTRACTS

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No. 22

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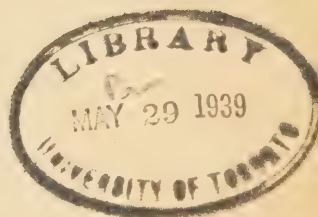
WEDNESDAY, MAY 24, 1939

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WITNESS:

Major-General L. R. LaFlèche, Deputy Minister,  
Department of National Defence

OTTAWA  
J. O. PATENAUDE, I.S.O.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1939







## MINUTES OF PROCEEDINGS

WEDNESDAY, May 24, 1939.

The Standing Committee on Public Accounts met at 11.15 o'clock a.m., the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Bercovitch, Blanchette, Brooks, Dupuis, Factor, Ferland, Fleming, Fraser, Golding, Grant, Green, Homuth, Isnor, Kennedy, Leader, MacInnis, MacNeil, McDonald (*Pontiac*), McGeer, McLean (*Melfort*), McPhee, Marshall, Patterson, Purdy, Rickard, Taylor (*Norfolk*), Thauvette, Tremblay, Turgeon, Wood.

*In attendance:* Major-General L. R. Laflèche, Deputy Minister, Department of National Defence.

Examination of General LaFlèche was continued.

Moved by Mr. MacNeil:

That Colonel Drew be offered an opportunity to appear before the Committee.

Moved by Mr. Factor in amendment thereto:

That the matter of calling Colonel Drew be referred to the Sub-committee on Agenda.

Mr. MacNeil having accepted the amendment, motion, as amended, carried.

Moved by Mr. Dupuis:

That unless new facts can be brought before the Committee, the Committee terminate its proceedings.

At the suggestion of the Chairman, and with the concurrence of Mr. Dupuis, motion referred to the Sub-committee on Agenda.

At 12.52 o'clock p.m., the Committee adjourned until 4 o'clock p.m. this day.

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## AFTERNOON SITTING

The Committee resumed at 4 o'clock p.m., the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Bercovitch, Bothwell, Brooks, Douglas (*Weyburn*), Dupuis, Factor, Ferland, Fraser, Glen, Golding, Grant, Green, Homuth, Isnor, MacInnis, MacNeil, McCann, McDonald (*Pontiac*), McGeer, McLean (*Melfort*), McPhee, Marshall, Patterson, Purdy, Rickard, Stewart, Stirling, Tremblay, Turgeon, Wood.

*In attendance:* Major-General L. R. LaFlèche.

The Chairman read a letter from Major J. E. Hahn, President, John Inglis Co. Limited, requesting that certain corrections be made in the record of the evidence given by him before the Committee.

Examination of General LaFlèche was continued.

At 6.10 o'clock p.m., the Committee adjourned until Thursday, May 25, at 2.30 o'clock p.m.

A. L. BURGESS,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 24th, 1939.

The Standing Committee on Public Accounts met at 11.15 a.m. The Chairman, Mr. W. A. Fraser, presided.

The CHAIRMAN: Gentlemen, we have a quorum so we will proceed. General LaFlèche is here again this morning and if any member wishes to continue his examination he may do so.

General L. R. LAFLÈCHE, Deputy Minister, Department of National Defence, recalled.

Mr. ISNOR: Mr. Chairman, before you proceed with this witness, to avoid any misunderstanding, I would like to make a correction in the record at page 607 of the minutes of proceedings of Wednesday, May 17th. I am reported as having said, "Major Hahn sent me this statement"; it should read, "Major Hahn stated." I was referring to a quotation appearing in the evidence of Major Hahn at page 432—I do not think it is necessary for me to read in full the quotation. I would like to have this correction made as I have never in my life received any communication from Major Hahn, I was simply quoting from the evidence given by him at page 432 when he appeared before the committee on May 4th.

The CHAIRMAN: The correction will be noted.

*By Mr. MacNeil:*

Q. Might I enquire if General LaFlèche completed his review of the correspondence exchanged with the British War Office up to October? I think he was interrupted at one o'clock.—A. I certainly have not turned over every page. I had reached November, I believe.

Mr. MACNEIL: However, that is Mr. McGeer's question.

The WITNESS: I cannot answer the question definitely without going through the correspondence.

*By Mr. McGeer:*

Q. What we want to know is whether or not all the correspondence up to November 3rd is now before us?—A. May I say again this morning, Mr. Chairman, that all of the original documents were handed over to commission counsel. The documents were copied and were submitted to the commissioner, but not in chronological order. I think yesterday I had read my letter dated the 20th of October, 1936, to the Under-Secretary of State for External Affairs and from there I will go through this file of correspondence. I see this despatch, this is the cablegram dated the 22nd of October addressed to the Department of National Defence, Ottawa, by Canada House, London. It has already been read. It is as follows:—

Your telegram 113 September 17th respecting Bren guns. Have ascertained verbally from the war office reply could be expedited if it were possible to give estimate of number required.

*By Mr. Green:*

Q. Who is that from?—A. That is from Canada House to the Department of National Defence.

Mr. GREEN: It is hard to hear down at this end of the table.

The WITNESS: I am sorry, I beg your pardon. That was from Canada House to the Department of National Defence, and it was read at yesterday's meeting and I read it again this morning. I am trying to make certain that every piece of correspondence between Canada House and the Department of National Defence in this connection is brought out in your record.

Then there was a despatch from the Department of National Defence to Canada House, or the High Commissioner in London, dispatched on the 23rd day of October. It was read into the record yesterday but I shall read it again:—

Yours of October 22nd. Presuming for example that Canada were to order 2,000 Bren guns from war office in near future when could deliveries commence what would be rate of delivery and cost per gun.

Mr. BROOKS: I think you read the war office reply to that yesterday also, General LaFlèche.

The WITNESS: I think that comes in the next cable. I am just going through them here again. Here is one that was mentioned yesterday but not read into the record as far as my memory goes. It was a despatch to be sent to the High Commissioner in London by the Department of National Defence. It was dispatched on the 30th of October, 1936:—

Please ask war office to quote for purpose of estimate approximate respective cost of the following items pertaining to production of Bren gun—

One complete set of fixtures and jigs,

One complete set of tools and checks,

One complete set of production gauges with checks,

One complete set of inspection gauges with checks.

Give estimate of date by which delivery could commence of correlated items to meet batch production and a further estimate of the time by which complete delivery could be effected.

*By Mr. Brooks:*

Q. That was sent before you got a reply from the war office as to the delivery of Bren guns from England?—A. That was sent on the 30th, and in reply I would refer back now to the despatch which went to the High Commissioner in London from my department on the 23rd of October, reading:—

Yours———October twenty-second. Presuming for example that Canada were to order two thousand Bren guns from war office in near future when could deliveries commence what would be rate of delivery and cost per gun.

*By Mr. McGeer:*

Q. That last letter that you read before the despatch, that was October 30th, wasn't it?—A. That was a cable to the High Commissioner in London from my department.

Q. Was there any answer to that?—A. I think later on. I think the reply was mentioned yesterday afternoon or yesterday morning rather. Then we come to a letter addressed to the Department of National Defence by the secretary of the office of the High Commissioner for Canada in London, the

[Major-General L. R. LaFlèche.]

letter was dated the 4th of November, 1936—and again I am afraid I cannot give you the reference number, the secretary may be able to—reads:—

Sir:—I enclose copy of my cabled message of yesterday's date together with copy of war office letter dated the 3rd of October, 1936.

(Signed) GEORGE P. VANIER,

*Secretary.*

And to that is attached a copy of a cablegram which we have already read.

I do not know the commission number. It is a confirmation copy. Here it is:—

Your tel 113 September 17th. War office state the arrangements now in progress for manufacturing Bren guns in this country on large scale and while definite rates of delivery cannot yet be quoted small numbers for training purposes might be supplied in 1938 with bulk of supplies in subsequent years.

Estimated cost per gun including tripods and spares will be in neighbourhood £100 but this figure is not regarded as firm price. Army council would be glad to learn full requirements Canada for these guns from this country as soon as possible as it may be necessary to arrange for further source of supply if demands are large.

*By Mr. Brooks:*

Q. Did your department ever give an estimate of the requirements for production?—A. Yes. Later on. It was read into the record yesterday. We wanted prices on three batches; one of 2,000, one of 4,000 guns, and one of 7,000 guns.

Q. Did you state that definitely? If it was read into the record I do not remember of any definite requirements being stated by your department to the British War Office.—A. Would you keep that in mind, please, and as I go through this I will come to it.

Mr. Brooks: Yes.

*By Mr. Green:*

Q. It was well understood from the start, was it not, that the Canadian requirements would be 7,000?—A. Yes; but, Mr. Chairman, may I point out—and I would like to do this very clearly—that when dealing with special requirements or requirements which involve large amounts of money it is a far cry from adopting a particular weapon or a particular article and the acquisition thereof. When in 1936, the summer of 1936 or the spring of 1936, the Bren light machine gun was adopted as the successor to the Lewis gun it did not mean by any stretch of the imagination that we were immediately in the market for the gun. We could not do it. We did not have the money. We had not yet really seen the Bren gun. We began by getting two of the guns, and later ten of the guns, and still later twenty-one guns; and by that time we knew what we wanted to get.

Q. My point is this; it was known from the spring of 1936 the number required to equip the Canadian forces was 7,000?—A. It was known, it was determined at that time, that the ultimate Bren gun requirements would number 7,000.

Q. And that was known all the way through; for example, by the British War Office and by Major Hahn?—A. The war office—I don't remember exactly when the war office first heard of it; it is in the record. I think Major Hahn would have known of it when he discussed Bren guns with me in my office.



Q. First time?—A. The first or the second time.

Q. That would be in the fall of 1936?—A. In October of 1936. May I just add—may I give an example of this usual hiatus between determining what we are going to adopt as a weapon and the acquisition of a stock of it whether in full or in part. In our air force for example, we knew we wanted certain types of aircraft, but we certainly did not get them all at once. It is unusual, unfortunately, when we are able to lay down an order for our full requirements at the one time; however economical that procedure is. There is the question, we know what will be the successor of our present field guns and the howitzers which we have in stock but we have not placed an order for any of them. We can't. There are other items of equipment which we know we need which we would get to-morrow if it were possible, but because other items are in our opinion required more urgently we try to proceed on the order of considered priority obtaining if not in full quantities then such portion of the full quantity as we can arrange to obtain; and that explains why we asked for prices on 2,000 and on 4,000 guns and on 7,000 Bren guns. We were obtaining information. We did not know what could be possible at the time.

*By Mr. Brooks:*

Q. You eventually let an order for 7,000 guns?—A. Because we were able to make arrangements to stretch payments over a number of years, and it was very economical to make the one arrangement for the complete quantity at once. That is always desirable when you are in the market.

*By Mr. Green:*

Q. There are certain different types of armaments that you cannot buy at any price anywhere at the present time?—A. There are certain pieces of armament that if you had any amount of money in your pocket you could not get at all.

Q. I think the minister listed about 1,500 guns required in Canada that came in that category?—A. I do not want to differ with Mr. Green, but I do not think you either understood it perfectly or it might not have been given out clearly. We are not in the market for 1,500 in any case. I think what you have in mind is—

Mr. HOMUTH: No, he said there were 1,500 different kinds of weapons.

Mr. MCPHEE: Where is that in the evidence?

Mr. GREEN: I am referring to the list he gave in his first statement to the house this year showing the requirements in anti-aircraft guns and in coastal defence guns, field artillery and howitzers and so on. I think the total came to 1,500.

Mr. HOMUTH: It was 1,500 different guns.

Mr. GREEN: That is all the guns that we were unable to acquire anywhere which we needed to complete our coastal defences and also our mobile equipment.

Mr. FACTOR: Of course, that is not being enquired into.

The WITNESS: You will find that in *Hansard*, and I trust you won't mind when I say I would rather read what *Hansard* said before attempting any comment on it. But you are certainly correct in understanding definitely that the department has a number of requirements of things that cannot be obtained even if we had the cash in hand this morning. That explains—I am digressing, but you started it, I hope you don't mind—that explains the commitment procedure in our estimates this year. We have to order them to get them not in the fiscal year, but cannot get them in the same fiscal year, you must order them now to get them one year or sometimes two or three years hence.

[Major-General L. R. LaFlèche.]

Mr. GREEN: And there are many you have not even bothered about because you knew you could not get them for some years.

Mr. MCPHEE: Why say that? What is the purpose of putting that on the record?

Mr. FACTOR: Mr. Chairman, I submit that this is all outside of the scope of this inquiry.

The WITNESS: Of course, I am in the hands of this committee, Mr. Chairman. To me it is an engrossing subject.

Mr. GREEN: I think you said something to that effect a few minutes ago.

Mr. BERCOVITCH: He said that because of the question which you put to him.

*By Mr. McGeer:*

Q. What I would like to find out is some of the things that are pertinent to the inquiry. Now, in the light of the information that you have given us would it have been possible for your department to have called for tenders for the supply of Bren guns up to the date of the correspondence that you gave us? Now, one point that comes out is the reply to your communication of the 30th of October. What was the reply to that, where you specifically asked for information on the cost of the supply of various materials and equipment that would be necessary for you to set up production of Bren guns in Canada?—A. At that time we were seeking information which would permit us to form an opinion on which we would base our recommendation to our minister, and he in turn to the privy council. We could not have invited tenders.

Q. You did not have the information at that time?—A. We did not have the information. We did not have the money. We did not have the knowledge.

Mr. BERCOVITCH: And you were securing that?

The WITNESS: We did not know. We certainly were not going to buy from any central European country—I did not, at least, because I had held from the beginning and I still hold for Canadian production of our armaments.

*By Mr. McGeer:*

Q. You see, one of the matters referred to the government and to parliament is this question of whether or not public tenders should have been called for; I mean that is one of the matters that the Royal Commissioner, the Hon. Mr. Henry Hague Davis, referred to the government and to parliament for consideration, and to be dealt with, and that is one of the things that is before this committee.

Mr. MACNEIL: Might we have General LaFleche complete his statement first, following through on your question. He was disclosing the correspondence.

*By Mr. McGeer:*

Q. Of course, at this time, at the time you communicated with the war office on the 30th of October, Major Hahn was in London at that time, was he not?—A. I do not know when he got to London, but the correspondence I have just read is dated the 30th of October. He was in Ottawa, he must have been in Ottawa, or in Canada at least, on the 20th of October. In all probability he was then on his way to England, or had just arrived in England.

Q. Notwithstanding the fact that Major Hahn was on his way to London you were enquiring from the war office as to the cost of machinery, jigs and tools that were necessary for production here?—A. Oh yes. Major Hahn was going to England to sell to the British not to sell to Canada.

Q. That is, to get a contract with the war office?—A. If he could, yes.

*By Mr. Brooks:*

Q. May I ask here; did you have two ideas in your mind at that time? The correspondence would indicate that you did; one, the possibility of purchase of guns in England and the other the possible production of guns in Canada; and for these reasons you were enquiring as to the tools, dies and other equipment necessary for manufacture here; that is, you were making both enquiries at practically the same time, one for the purchase of guns in England and the other for the purchase of jigs, dies, and other equipment necessary for the manufacture of the guns in Canada?—A. I will try to answer the question. You will agree, sir; that it is a rather long one, but I will make my best effort.

Mr. BROOKS: I tried to make myself clear.

The WITNESS: I quite realize that.

The truth of the situation was that in regard to Bren guns and other pieces of armament and munitions I wanted and I want to have these things produced in Canada as a safety factor in case Canada should be required to preserve her neutrality or be forced into a war. That hope, or that conviction is what I kept as a vital necessity running through the whole thing as a thread, and an unbroken thread. I had no good reason to believe in October of 1936 that that hope in regard to the Bren gun would materialize but that did not keep me—I must speak for myself—did not keep me from hoping that that would materialize in regard to Bren guns and in regard to many other things. When Major Hahn went to England he was one of a number who went there as far as I am concerned with my good wishes attending him and they attended all the other Canadians, the many Canadian industrialists who called on me to discuss their position and their ambitions and their desires to get into armament production.

Mr. GREEN: I take that—

Mr. BERCOVITCH: Let him finish what he was saying, please.

The WITNESS: I am coming to that. However great my hopes may have been or however little at the moment I had reason to believe that those hopes would materialize I was carrying on attempting to get facts, prices, time of delivery and other information such as about gauges and plans and so forth, from the British War Office in order to be able to take the best advantage of whatever resulted from the decisions of the British War Office in regard to setting up or not of sources of supply in Canada. Information that they could give us which would let us find out, after careful study, which would be the better way and the quicker way and the cheaper way, taking everything into account, whether to buy outside the country or see if we could not put up or have a factory put up in this country. That explains why, of course, I kept after the war office; for instance, to find out what would be the price on a certain batch of guns, on another batch of guns and still on another batch of guns.

Mr. BROOKS: And on the equipment for manufacture.

The WITNESS: Of course, because that was a vital necessity in case they would not be able to supply us from overseas sources and we would have to put up a factory in Canada.

*By Mr. Brooks:*

Q. You were enquiring with reference to jigs, dies and other equipment for manufacture; did you have public manufacture in mind at that time or were you considering manufacture by some private concern?—A. Neither one nor the other. We were seeking information. We wanted to know what were the problems and the difficulties of making or buying these guns.

[Major-General L. R. LaFlèche.]



Q. These enquiries coincided with Major Hahn's visit to London at that time?—A. I beg your pardon, we began our enquiries before I ever saw Major Hahn or before I ever heard of him, except when I heard of him as a returned soldier, perhaps ten years before this occurrence.

Q. We have nothing in the record to show that. October 30th was the date of the enquiry for jigs and dies and other equipment?—A. What about my message, I think the 17th of September, which was read twice into the record yesterday and again once this morning?

Mr. BROOKS: You only have to bring this wire, to follow it up.

The WITNESS: There were really more critical considerations.

Mr. BROOKS: It is very difficult—

Mr. BERCOVITCH: It is not the fault of the witness, though.

The WITNESS: Can you not find it? Can you not find the reference number of my message of the 17th of September? It is either 70 or 77, I think.

The CLERK: It is exhibit 70.

The WITNESS: It is exhibit 70 I am told. It is a message from my department to the High Commissioner in London and reads as follows:—

Request war office to answer the following STOP If an order for Bren guns were placed by Canada in near future when could deliveries commence STOP What would be rates of delivery and cost per gun STOP What is minimum order required by war office to begin manufacture immediately.

That is on the 17th September.

Mr. McGEER: That was followed again in exhibit 81.

Mr. BROOKS: That has reference to the guns.

The WITNESS: That has reference to the purchase of guns.

*By Mr. Brooks:*

Q. That has reference to the purchase of guns?—A. Yes.

Q. But what I had reference to was the purchase of equipment.

Mr. McGEER: Let me draw the attention of the committee to exhibit 81.

Mr. GREEN: Mr. McGeer has no right to interfere like that.

Mr. McGEER: What I should like to do is get the sequence of the requests for quotations on 2,000 guns, which was on September 17th; then on November 6th, if you will remember exhibit 81, we had a request for quotation on 4,000 guns and alternatively 7,000 guns; "specify if price includes inspection, packing and royalty." Then on October 30th we have a request from the Department of National Defence for the cost of tools, dies, machinery and equipment necessary to establish production in Canada.

The WITNESS: Yes. We had not the faintest idea of what all that was, or what it would cost.

*By Mr. McGeer:*

Q. What I want to find out is what the reply was, or did you get a reply to your communication of October 30th?—A. May I go through the files?

Q. Yes; because I think I should like to know when you got that.—A. I repeat what I had to say several times yesterday, that I never got a clear-cut satisfactory reply to these enquiries. I got my clear-cut reply when I went to London in May, 1937, when I was face to face with the authorities of the war office in London and got their point of view, their intentions and their desires and their readiness to act. I will come to that later.

Q. At least, it is clear from the information we now have before us that up to the time that Major Hahn arrived in London, you were not possessed of specific information as to what the guns would cost you were they secured in England, nor did you have any information upon which you could set up production in Canada nor were you possessed of sufficient information to call for tenders for the production of the gun in Canada. Is that correct?—A. There are three questions there. I think I can remember them. First, we did not know that we could get the guns from the war office. We were trying to find out. Should it have been possible to obtain the guns from the war office, we did not know what they would cost. We had not the slightest idea—that is a little strong, and I will say we did not know nor did we have any worthwhile information as to what would be involved in the manufacture of the guns in this country. We had not the plans. We had not the jigs and tools. We did not know what they cost. We had no gauges. We did not know what they would cost. We did not know where they could be got. We did not know where we could get gauges. I could add many such things. On the question of calling tenders, may I say I was not thinking about calling for tenders. At the time I was asking the war office to tell me what they would charge us if they made them or purchased them for us in the usual routine. There is no calling of tenders when the Canadian government asks the British government to buy a particular piece of equipment on our account. We do not ask them to call tenders. We say, "Will you buy it for us?" They always say, "Yes," and they do it; and Canada gets the advantage of adding our relatively small requirements to the mass requirements of the British government. We get the benefit of the lower cost of production on the augmented number. That is the way it works. In the case of the Bren gun, the British got the advantage of the Canadian concurrent order. The Canadian government also gets the same advantage by buying from the same source of supply as is being purchased from by the British government.

Q. Then that deals with the question of your inquiry?—A. I say that it was not possible to call for tenders. It was not even thought of.

Q. On October 30th when you wrote for information as to tools, dies, jigs and machinery, that apparently was sent with a view to giving you information as to what it would cost to set up production here?—A. Well, Mr. McGeer, through the chairman, may I say that you may put it that way. Another more general way, and at the time I would say a truer way of describing the situation was that we, knowing nothing about it, were attempting to get information which our technical people could study and upon which they could formulate a report to me.

Q. You were making two inquiries; you were inquiring as to what the guns would cost if they were supplied by the British War Office and you were inquiring as to the cost of the tools, dies, jigs and machinery that would be necessary to have production?—A. To better understand the situation; I was not ready to buy war equipment elsewhere if it could be made in Canada, you know. But I wanted to understand what it all meant and I took the necessary steps to obtain the information.

*By Mr. Brooks:*

Q. General LaFlèche, why did you not investigate as to the cost of production in Canada before you investigated or attempted to investigate as to the purchase of guns abroad?—A. Well, let me answer that, please, gentlemen and Mr. Chairman. The department did not have any information upon which to determine, first, whether the gun could be made in Canada; though on that point, being a great believer in Canadian industry, I would have said it could be done, but I would not have had much firm ground under my feet,

[Major-General L. R. LaFlèche.]

because I did not have the necessary information. But apart from that expression of faith, the fact was that nobody in Canada had any idea or any sufficient idea to permit anybody in Canada to estimate what the cost of manufacture of a Canadian-made gun would be.

*By Mr. Bercovitch:*

Q. Or how it could be manufactured?—A. Or how it could be manufactured. We did not even have the plans.

Q. No.—A. And there was no operating factory for the production of Bren guns in the British Empire at that time.

*By Mr. Brooks:*

Q. One was being organized, I believe, in England?—A. One was being organized at the Enneld plant; but Col. Brooks, that did not come into operation, into real operation, for about two years after that time.

*By Mr. Green:*

Q. That is the government arsenal at Enfield?—A. Yes.

*By Mr. MacInnis:*

Q. Did it occur to the Department of National Defence that possibly the best way to get information would be to send an expert over from the department to England to inspect the machinery and all the factors right on the spot?—A. Well, Mr. Jolley—and I might have mentioned this yesterday—who even at that time was considered a brilliant, young, professionally educated soldier, a scientifically educated man, had been in England on his normal attachment in the British Isles for the purpose of acquiring technical information concerning the production of armaments, not particularly the Bren gun, but generally speaking—everything from munitions to ordnance pieces, but not specializing in anything. We had Mr. Jolley there. He was back in Ottawa at more or less about this time. I have not the particular dates here. Later on, when it did become a concrete problem, we sent Mr. Jolley back to England.

Q. What date was that?—A. That was in 1938.

Q. We are at an earlier period than 1938. We are now in 1936 when you decided first that the Bren gun was necessary and you were trying to get information from the war office, first, as to the supplying of guns to Canada by purchase by Canada and, second, as to the manufacture in Canada. Lieutenant Jolley was practically a student, a very young man.—A. A very capable young man.

Q. Yes, quite so.—A. I am sure you will not quarrel with that.

Q. I am not disagreeing with that.—A. I am very sure of that.

Q. But the minister who was on the stand the other day said that you had some very, very competent men in the department. I read from exhibit 69 by Col. Carr, I think it was, and the minister said that Col. Carr was a very competent person.—A. So he is.

Q. Would it not have been the logical thing to have sent a man like Col. Carr over to Great Britain to inquire on the spot and get all the information as the representative of Canada from the Department of National Defence with regard to the manufacture of these guns?—A. I quite agree that that could have been done. But I repeat that the Bren gun was but one problem. We had no money in our estimation and we were making—we made definitely and followed up definitely our inquiries to the war office in regard to the Bren gun as we have with a good number of other different pieces of equipment. We have followed the usual course. I never got a clear answer to my inquiries. It was not fault of the British War Office; and there was certainly no hesitation



on their part in wanting to assist us. When the time came they did assist us; and Canada is very greatly benefited by the kindness and by the desire to co-operate of those gentlemen of the war office, some of whom I know personally and all of whom I admire. The Bren gun is not the only instance, by any means, where the war office people or the officials there have assisted Canada in its rearmament. The Bren gun, as I said before Commissioner Davis, was a precedent which has brought much more new business to Canada than is represented by the Bren gun contract. I hope you do not mind if I say this, but I think this committee wants to know everything and I am here to say everything that I know. I am going to just say this—

*By Mr. MacInnis:*

Q. In regard to that—

Mr. BERCOVITCH: Just a minute; let him finish.

Mr. MACINNIS: I thought he had finished. I do not want to butt in.

The WITNESS: Mr. MacInnis is very kind. I just want to point out here that this co-operation on the part of the war office officials has already resulted in very substantial progress in the rearmament of Canada from within Canada. This is an all too patent point or fact, and I cannot hide it; you gentlemen will not object to my saying it, I am sure. Had it not been for the hampering effect of the Bren gun inquiry, had the department not been hounded—and the department being hounded the war office is humiliated and hounded, equally because we acted very much on their advice; we followed very much their example; we did not act until they were satisfied—I am making this statement, that Canada's rearmament would be very much more advanced than it is to-day. The inquiry started last September and is still continuing eight or nine months after. The adverse effect upon the rearmament of Canada and, therefore, the weakening of our defences of Canada and of the Empire and whatever any individual holds dear in that connection, has been severe; I say rearmament has been dangerously hampered and impeded. I say further that Canadian workmen who have a right to expect employment have been robbed, denied honest employment to the extent of millions and millions of dollars by the people who started this dastardly, traitorous attack on the Department of National Defence and the war office in this respect.

Mr. MACNEIL: Mr. Chairman—

An Hon. MEMBER: Sit down.

The WITNESS: It is the absolute truth.

Mr. MACNEIL: The witness is making an unusual statement.

The WITNESS: I am not. It is time that somebody did speak out in defence of the people of this country.

An Hon. MEMBER: Hear, hear.

The WITNESS: In the defence of this country and of the war office officials who have been insulted, humiliated, by many, many people. I am saying this personally. I am not speaking for myself. I cannot. A public servant is a target for any public man who wants to attack him; but a public servant still has the right to stand up for people who have been the nation's friends, and that is what I am doing. I am defying—I am throwing that in the teeth of all the liars who have gone after the war office officials in this respect. I am not doing it in respect of myself. I cannot. It is a dastardly betrayal of Canada.

Mr. MACNEIL: Mr. Chairman, the witness is a prominent civil servant appearing before a parliamentary committee.

[Major-General L. R. LaFlèche.]

The WITNESS: I am an old soldier and it is my duty to look after the rearmament of this country; and I am stating that my work in respect to the defence of Canada has been seriously impeded by men who have sold Canada, who have sold out Canada's defences and the defence of the Empire.

Mr. MACNEIL: Mr. Chairman, the witness has been treated with the utmost civility by this committee. No member of this committee has attempted to do otherwise. We have treated him with the utmost civility. But this is a regular parliamentary inquiry ordered by the House of Commons. After all, all officials of the civil service, however prominent they may be, are responsible to the House of Commons; and members of the House of Commons have a right to make such inquiries as they may deem necessary. If Major LaFlèche is directing his remarks to members of this committee, I submit he is quite out of order.

Mr. FACTOR: Not at all.

Mr. MACNEIL: After all, the requirements of the Canadian forces were set out in July, 1936; the contract was executed in March, 1938, and only subsequent to the execution of the contract were the details made known to the House of Commons. So that General LaFlèche has to accept some responsibility for the delay which occurred between the first letter from the war office of February, 1936, until March, 1938, and surely must be prepared to answer questions in regard to points of policy involved. That does not involve any betrayal of Canadian interests, or any dastardly attack on the department; and not at any time during that period from July, 1936, until March, 1938, can it even be suggested that any one in Canada hampered or hounded the department or interfered with the armament plans.

The WITNESS: Mr. Chairman, I think I have a right to speak.

Mr. McGEER: It is to be remembered that the charge against Major-General LaFlèche made at the close of the inquiry of Hon. Henry Hague Davis was one that amounted to a request for a finding that the Deputy Minister of National Defence throughout the whole inquiry had given evidence that should not be believed. That was Col. Drew's summing up. He also charged that for his part in the contract the Minister of National Defence was even more to be blamed than the deputy. He then charged that the contract was fraudulent, conceived in sin and matured in iniquity. We have been inquiring into this contract since March of this year; notwithstanding the fact that all the evidence was reviewed before the Davis commission there has not been, with the exception of the spare and component parts, one bit of evidence submitted to this committee that was not submitted to the Davis commission. Surely the time must come when the members of the Department of National Defence are going to be relieved from an unending repetition of evidence such as we are having to-day. For instance, it might be very pertinent to general information to ascertain what guns are required in the Department of National Defence; but to interject the proposal suggested by my friend Mr. Green to-day that we should review what guns are necessary is to extend this inquiry into the Bren gun contract far beyond its limits.

Mr. GREEN: Mr. Chairman, I rise to a point of order. I did not say that, and I do not think Mr. McGeer should mention it. General LaFlèche said in his statement that there were certain articles that Canada was not even ordering because there was no possible chance of getting them.

Mr. FACTOR: He was making a comparison.

Mr. GREEN: You can get up and talk when I am through. I was simply trying to get that statement cleared up. I do not think Mr. McGeer should try to drag that in. He may have misunderstood what I was saying.

Mr. McPHEE: You referred to a speech made in the House of Commons by the minister.

Mr. GREEN: That is what I was aiming at. I asked him if he meant the guns that the minister referred to in the house. It is in Hansard No. 73; I do not happen to have it here. It is all set out in Hansard, and I do not see that there is any objection to that; nor do I see why it should be dragged into this controversy.

Mr. McGEER: I think we should try to get at the following points: We are anxious to know why public production was not set up in Canada; why tenders were not called for; why this contract was let to Major Hahn or let to the John Inglis Company and what this contract is producing in the way of results—that is, whether the contract is a good or bad contract in the light of all the circumstances. I suggest that we are anxious to know from the deputy minister what his position was with reference to the department's ability to set up public production or to call for public tenders when Major Hahn went to England, because that is a pertinent point in the inquiry. I have asked for the answer to the letter or to the communication of September 30th. The answer is that we never did get a satisfactory reply to our inquiries as to dates of delivery and cost of the guns from the Old Country and we never got satisfactory replies as to how we could set up production in Canada.

*By Mr. McGeer:*

Q. Is that a correct summary of the position to date, General LaFlèche? I mean, you had never got satisfactory replies?—A. I never got satisfactory replies, no sir.

Q. According to Lieutenant Jolley's evidence at page 593 we find this:—

Q. And as you state spent a year at the Royal Small Arms Factory at Enfield?—A. Yes. One thing I neglected to mention was the fact that I returned to England in the summer of 1938 and spent a further three months particularly on inspection of production of Bren guns. The Royal Small Arms Factory was then just entering on production of the Bren gun.

A. Not in production; entering production.

Q. Just entering production. So that in 1938 the Enfield plant in England was just entering production. Does that not indicate some of the reasons why you did not get satisfactory answers to your inquiries of 1936.—A. Of course. I have not reproached the war office. There was a reason. They did not know themselves. Mr. Chairman, I told you quietly—and I may have taken a liberty in saying it—that I insisted upon saying a word after Mr. MacNeil had spoken. Thoughts have been racing through my mind and perhaps it would be better to wait a little while before making any further remarks; but here they are. I am quite sure, Mr. MacNeil, that I mentioned nobody but the person or persons who started the Bren gun inquiry. I certainly had not in mind any gentleman around this table or in the House of Commons or in the Senate; and truly, I did not have them in mind. I am not attempting to veil my thoughts by attempting to use words. That is not it at all. I realize that you have a duty to perform. My feelings perhaps got away with me in trying to make you gentlemen understand that I had duties to accomplish, and that I have been thwarted, I have been prevented, I have been hampered by the people who, for their own reasons, started all this trouble. I came to the rescue—pardon me, I did not come to the rescue, but I came to the defence of people who are not in this country and whose names have been bandied about. I am not speaking of you gentlemen here; and I trust Mr. MacNeil, my very good old friend of long years ago, will do me the justice of accepting—yes, I am asking you to accept the remarks that I have just made in exactly the same sincere and truthful spirit in which I have made them.

[Major-General L. R. LaFlèche.]



Mr. MACNEIL: Mr. Chairman, I accept General LaFlèche's remark. I do want to make this statement: General LaFlèche is not here on trial. Never at any time since the reference was made were any charges referred to this committee for the purpose of investigating General LaFlèche's conduct. I have the greatest respect for General LaFlèche, based on old friendship, and while I may disagree with him on some matters of policy, I believe those disagreements can be discussed without personal animosity or without questioning General LaFlèche's integrity.

There are involved questions of public policy which on the findings of Mr. Justice Davis were to be decided by parliament, and referred to a moment ago by Mr. McGeer. When I moved the order of reference in that regard I did so not with the idea of bullying, hampering or hindering General LaFlèche or his officers for many of whom I have very great respect.

The WITNESS: I am very glad Mr. MacNeil is good enough to accept my assurance that my earlier remarks had to do only with the people who started this trouble. May I also make it clearer, if possible, that I spoke a while ago having in mind Canada's friends. These gentlemen live in England and have assisted us immensely in our rearmament program. Those gentlemen are not here to say a word for themselves, and I, as any gentleman would do, have on the first possible occasion risen to say something about their honour and also their readiness to help Canada.

*By Mr. Brooks:*

Q. There has always been the greatest co-operation, Colonel LaFlèche, between the British War Office and the Department of National Defence in Canada, has there not?—A. There has.

Mr. BERCOVITCH: And there should be.

The WITNESS: May I say just one more word, Mr. Chairman, and then we can get on with throwing more light on the matter, as more light seems to be needed here, and I want to bring it out as plainly as it can possibly be brought out. I want to say, Mr. Chairman, at this stage, that until my feelings carried me away to some extent a while ago, and even up to this very moment, I have enjoyed the consideration of all members of this committee.

Mr. GOLDING: I think you have done a service, as the deputy minister in that department, in letting the country know just what effect this whole thing has had.

Mr. BERCOVITCH: Also, I think, in trying in some measure at least to refute the remarks and innuendoes that have been bandied about, as General LaFlèche said a few moments ago, concerning gentlemen on the other side who have co-operated with us and who are anxious to help us but who are not here to defend themselves.

Mr. MACINNIS: I must say that as far as I have been able to follow the proceedings both in this committee and also when the royal commission was sitting, I have not heard any attacks made on any person in the British War Office.

Mr. MCPHEE: Only inferentially.

Mr. BERCOVITCH: By innuendoes.

The WITNESS: To mention them particularly would be in effect to scatter scandal again. But I do say to Mr. MacInnis that if he will read very carefully the minutes of the proceedings before Mr. Justice Davis his blood will boil.

Mr. HOMUTH: In view of the remarks which have been made by several members of the committee might I say this: Colonel Drew, who has been indirectly referred to is not here to defend himself. I do not think anyone in Canada will question Colonel Drew's loyalty or desire to help Canada's defences. His record speaks for itself. What I should like to say is this—

Mr. MCPHEE: The article in MacLean's Magazine speaks for itself, too.

Mr. HOMUTH: Colonel Drew is not here to defend himself.

Some Hon. MEMBERS: Call him.

Mr. MACNEIL: I think that is our responsibility now, in view of General LaFlèche's remarks.

Mr. HOMUTH: In view of what has been said I want to say this on behalf of Colonel Drew. If we are going to defend those who are not here, I want to rise in defence of Colonel Drew, and Colonel Drew is quite prepared to come before this committee at any time and give his evidence.

Mr. DUPUIS: Mr. Chairman, I have a word to say about this matter. It has been inferred by some members of this committee that in speaking Major General LaFlèche tried to defend himself. I am sure that he has been misunderstood. When he spoke, as I understood it, he spoke in the interests of the Canadian people. He spoke to show what effect this whole inquiry has had, and I must say this concerning Colonel Drew; that we do not suspect his good faith, but we suspect his wisdom. And the result of what he did has had the effect, as General LaFlèche puts it, of delaying the production of armaments in this country. He cast a reflection on the reputation of the high officials of the Department of National Defence. That is the way I understand it.

Now let me come to the question of this further inquiry. At the very first meeting of this committee I said that it was generally agreed by lawyers who have any experience that when an investigation or an inquiry has been conducted by a certain special body, a court of justice, it is never allowed to repeat the same inquiry unless new facts are to be brought forward. I submitted to the committee that unless new facts, unknown facts, were divulged before this committee, we would have the result, which Major-General LaFlèche just stated a moment ago, of delaying the production of armaments in this country. I heard some member of the committee state that since this committee began its sittings not a single fact that was not divulged before the royal commission was brought before this committee. Consequently I repeat, in the same spirit as I am sure all members of this committee have for the interests of this country, and as Major-General LaFlèche also said, that if it is possible to shorten the proceedings of this committee as much as we can it would be in the best interests of this country. I do not know why we should go into this matter again. It will be a pity to see all these things which are supposed to be done in secrecy by the Department of National Defence divulged and put before the public. I believe that one of the most disastrous effects of this investigation would be to give to enemies things which never should be divulged.

Mr. McGEER: Mr. Chairman, as I said before, some of the difficulty is probably in getting to a program of investigation that would be well within the limits of parliamentary reference. If I may, I should like to enumerate them for the record.

One is the reference on page 10 of the royal commissioner's report, as follows:—

Whether these Bren guns should be produced by the government in a publicly owned and operated factory or should be obtained through private manufacture is undoubtedly a matter of administrative policy for the government and parliament and is a question which is not open to me under the commission.

That is one of the problems of the government and parliament, and I think one of the matters that might be dealt with by this committee.

[Major-General L. R. LaFlèche.]

Then on the question of tenders, at page 50, the report says:—

It is at least a plausible view that the question whether tenders should be called for in such a case is a matter of administrative policy, upon which competent opinion is, or may well be, divided, and one therefore peculiarly for the government and parliament.

Then as to protection against profiteering, the following reference will be found at page 49:—

It is important, of course, that the contract be a good and business-like contract; but what is more important after all is whether the procedure adopted in making the contract was that best calculated to protect the public interest and to secure the confidence of the people of Canada that there would be no improper profiteering in the private manufacture of war armaments for the defence of the country.

Again at page 49 the substance of the contract is dealt with:—

No substantial objection can be taken in my view to the provisions of the Canadian contract, though in the absence of any competitive bids or terms of manufacture I am unable to pass upon the substance as distinct from the form of the contract.

Mr. MACNEIL: On page 35 there is reference to the conduct of individuals.

Mr. McGEER: The conduct of individuals involved.

Mr. MACNEIL: Also the interdepartmental committee.

Mr. McGEER: Yes, and whether there was a break down in the interdepartmental committee. On page 35 this reference will be found:—

I cannot myself recall at the moment any fact to which direct proof was adduced that is in dispute. It will be for those charged with the responsibility of dealing with the facts, i.e., the government and parliament, to examine and study them and to take such action, if any, thereon, as they may see fit.

Mr. MACNEIL: Before that he stated, "it is inexpedient to comment upon the evidence in respect of its bearing on the conduct of the individuals concerned."

Mr. McGEER: He does not refer that to parliament. What he says is this:

No charges of misconduct, however, were formulated against any particular person.

Having fully weighed the objection advanced on this ground, as well as the weighty consideration brought to my attention by counsel that the rights of the individuals interested in the contract might become the subject of legal controversy elsewhere, I have come to the conclusion that it is inexpedient to comment upon the evidence in respect of its bearing on the conduct of the individuals concerned.

On page 51 this reference will be found:—

There is no evidence that any member of the Senate or of the House of Commons of Canada was admitted to any share or part of the contract, or to any benefits to arise therefrom, or had been promised or given any suggestion that he was to have any share or part of the contract or was to be admitted to any share or part of the contract, or to any benefit to arise from the contract.



The evidence relating to the activities of Mr. Hugh Plaxton prior to the making of the contract has already been set out or referred to in this report, and with that exception (and excepting of course the minister presiding over the Department of National Defence) there is no evidence that any member of the Senate or of the House of Commons of Canada had any connection with or took any part in the discussions or negotiations leading up to the contract.

There is no evidence that any senator or member had any connection with or took any part in the affairs of the company or in the sale of shares or securities of the company.

I think it right to say that there is no evidence (nor is there in the evidence any ground for suspicion) that the minister or the deputy minister or any officer or official of the Department of National Defence was guilty of any act of corruption or anything in the nature of corruption.

He refrains from commenting on the conduct of individuals at page 49, but completely absolves all members of the House of Commons and the Senate; the minister, the deputy minister and all officials connected with the contract.

Mr. MACNEIL: Of corruption. That is not in dispute now.

Mr. McGEER: Of corruption or anything in the evidence that would even give rise to the suspicion of corruption, which would certainly include anything like improper patronage or conspiracy.

Mr. GREEN: The point raised on page 35, as I understand it, was in connection with other people such as Cameron, Pointon & Merritt.

Mr. McGEER: He says there were no charges formulated against them, and there are no charges formulated against them here because we are certainly not going to try in this committee people outside of the jurisdiction of parliament without giving them notice of what we are going to try them on and giving them an opportunity to sit in and be heard in their own defence, not only on the matter of evidence taken but with the full rights and privileges of submitting evidence. If there is any suggestion that we are going to try men who are not in the House of Commons or the Senate and in no way connected with the government of the day or the public service of the day, then we should give them notice as to what we are going to try them on, because we are here, I think, to deal with these particular points which the report of the royal commission indicates are proper subjects for consideration by the government and parliament.

Mr. GREEN: I think our reference is clear. As found on the first page of the first report of the committee dated February 13, 1939, it says:—

Ordered,—That a copy of the agreement between the government and the John Inglis Company of Toronto, for the manufacture of Bren machine guns, the report of the royal commission dealing with the said agreement, and all related documents, evidence, vouchers and exhibits, be referred to the standing committee on public accounts.

In other words, the whole bag of tricks is just shoved off on to us. It is a general open reference.

Then there is another reference which we have all forgotten so far, dated March 1, 1939:—

Ordered,—That a copy of the agreement between the government and the Montreal Construction Supply and Equipment Limited, Montreal, Quebec, for the machining of billets and forgings in the manufacture of shells, together with all related orders in council, documents, correspondence, minutes of the interdepartmental committee, and statements of claim, be referred to the said committee.

[Major-General L. R. LaFlèche.]

Then there was another order of reference which is still wider. I do not know what they thought this committee was made of or how we were going to handle it. This is dated March 6, 1939:—

“Ordered,—That all contracts”—and there are hundreds of them—  
“entered into by the Department of National Defence and tabled in this house be referred to the said committee.”

Mr. GREEN: Now, I am only speaking for the Conservative members on the committee, but our leader took a definite stand that it was foolishness to hand this thing over to a public accounts committee when it was evident that it could only be a re-hashing and a threshing over again of an old story, and everybody knows that that is just what it has amounted to. Everyone of us here has found the work on this committee most arduous, and in many respects unusual, and possibly it is a complete waste of time.

Some Hon. MEMBERS: Hear, hear.

Mr. GREEN: We all have our own opinions about that. Now, here we are not getting anywhere. I suggest that we forget all the arguments and that sort of thing that has been going on and let us get on as quietly as we can and see what we can get out of this whole business.

Mr. McGEER: Don't you think we could make a little progress if we were to confine ourselves to some of the points that were given to us to be dealt with by the reference before this committee?

Mr. GREEN: The trouble is, the committee has had 20 or 25 sittings and so far we have not confined ourselves to any of the points, and I do not see how we can, in the terms of the reference; and to do so now I am afraid would be quite impracticable; and then it may be that these points do not cover all the points that every member of the committee thinks should be looked into.

Mr. McGEER: I mean if we deal with some of the points that are obviously the duty of the committee, and then if there are any other points we can deal with them.

Mr. GREEN: The trouble is that we can't ask a witness evidence on four or five points and then if we decide in the course of three or four days that other points are to be gone over call him back.

Mr. McGEER: Oh well, we have got to find some way to bring this never-ending inquiry to an end.

Mr. GOLDING: Mr. MacNeil is the one who made the motion that this matter be referred to the public accounts committee and if we turn to page 194 we will find that he sets out the things that he was anxious to have investigated.

Mr. MACNEIL: In addition to what Mr. McGeer has said there are two points I think by inference referred to by the judge; that we should inquire into the nature of the pressure applied on the war office, as to whether or not that was in the interest of Canada; and secondly whether proper precautions were taken to curb excessive profits not only in respect to production of the gun but in respect to stock jobbing based on the award of the contract.

Mr. McGEER: They were both included in my comments.

Mr. FACTOR: Are we starting a new inquiry; are we beginning all over again, or what is happening now? Can we not go on with this witness and complete his evidence?

Mr. MACNEIL: I submit that General LaFlèche's statement impinges upon the responsibilities of this committee in a very important way. His statement in evidence will be released to the press and in that way go out to the whole country, and we will be required to deal with the situation of having a person in a responsible position saying that all this inquiry has interfered with

the activities of his department. I therefore move that we advise Colonel Drew that he be given an opportunity of a hearing before this committee, in view of the statement by General LaFlèche.

Mr. DUPUIS: For what purpose?

Mr. MACNEIL: In view of the statement made by General LaFlèche.

Mr. DUPUIS: General LaFlèche did not mention Colonel Drew.

Mr. McGEER: We dealt in a very special way with every one of the points referred to on page 194.

Mr. MACNEIL: I think we were pursuing those points.

Mr. McGEER: As a matter of fact I have been trying to follow the line of procedure indicated before the committee here because I agreed with it.

Mr. MACNEIL: Mr. Chairman, my motion is seconded by Mr. MacInnis.

Mr. FACTOR: I move an amendment that this motion be referred to the steering committee.

Mr. MACNEIL: I have no objection to that. I will be quite willing for that to be incorporated as a part of my motion.

Mr. HOMUTH: You might include in your motion its reference to the steering committee.

Mr. MACNEIL: I will withdraw my motion then and Mr. Factor may move his.

Mr. FACTOR: I suggested mine as an amendment.

Mr. MACNEIL: I suggest that the amendment be incorporated in my motion.

Mr. FACTOR: That the matter be referred to the steering committee.

Mr. MACNEIL: Yes.

Mr. ISNOR: I have no objection to the motion nor have I any objection to Colonel Drew appearing before this committee; in fact, I think he should have proposed that himself at the very first, placed himself in the hands of the committee expressing a willingness to appear before this committee. But I do object to the wording used by Mr. MacNeil in reference to the statement made by the witness. I listened very attentively to the statement made by General LaFleche, and I am glad he made that statement; but he certainly did not name any particular person, he did not name Colonel Drew, he referred to people; and if this thing applies to Colonel Drew it certainly applies to others who have gone all over the country making statements about the carrying on of the duties of the Department of National Defence. I am not objecting to Colonel Drew appearing, but I do object to the wording used by Mr. MacNeil.

Mr. DUPUIS: Mr. Chairman, so that I may appear consistent, if the statement made by General LaFleche is true, and we all know it is true, that in continuing these proceedings before this committee, or continuing the investigation of the subject before us relating to national defence, it has the effect of delaying preparedness for the defence of this country; so unless there are some new facts to be ascertained by this committee, I move that this committee come to an end immediately. In all seriousness—I see my good friend Mr. Factor laugh.

Mr. FACTOR: I am not laughing at you, I am laughing at the idea in your mind.

Mr. DUPUIS: I am just as patriotic as anyone else, and I know we all want to be ready to defend this country of ours, should such a course be necessary, and we want to be ready as soon as possible.

Mr. FACTOR: Might I interrupt; I do not think that anything in the statement which General LaFleche has made referred in any way to the proceedings of this committee. He made it quite clear that he was not referring to the proceedings of this committee.

[Major-General L. R. LaFlèche.]



Mr. DUPUIS: I make the statement myself that this inquiry, this investigation into certain matters concerning wholly the Department of National Defence by this committee has had the disastrous effect of delaying preparedness; if that can be said of the commission it can be said of this committee also.

Mr. BROOKS: The minister said that they were delayed because he could not get the finances.

Mr. DUPUIS: I am not talking about previous to 1937, I am thinking about the effect of discussing this matter here and bringing out not a single new fact that would prove anything else but that the Department of National Defence was wise in doing what they did, in giving the Bren gun contract to those who have it now.

Mr. HOMUTH: That is your opinion, others may differ with you.

Mr. DUPUIS: Certainly, they have a right to differ with me. As I understand the situation as to what has been brought to light as a result of the investigations to date it is that the report of the commissioner is very clear, the evidence of the witnesses appearing before the commission is very clear, that if there were no tenders asked for it was first of all because the war office did not want tenders to be called because it would delay production of the Bren gun; and, moreover, I am sure that if tenders had never been asked for it was because of the usual practice in the Department of National Defence not to divulge secrets relating to national defence. Consequently, not only is this committee doing a useless thing, not only was the commission granted by the present government useless, but I would go further than that and say that it was harmful and to the detriment of preparedness for national defence in this country; therefore, I maintain my motion whatever may be the result, and I am prepared to assume full responsibility for it before this committee. Mr. Chairman, unless new facts can be brought up before this committee, I move that the committee come to an end.

Mr. MACNEIL: Mr. Chairman, has my motion as amended carried?

The CHAIRMAN: Yes. Before putting the motion of the hon. member who has just resumed his seat (Mr. Dupuis), and after having listened very attentively for the last half or three-quarters of an hour to the submissions and speeches that have been made around this table I feel that it is probably incumbent upon me as chairman of this committee to make at least a few references to what has been said with respect to the proceedings of the last twenty-five meetings of this committee and the facts with which we are confronted at the present moment. I can quite appreciate what has been said by each and every member of this committee, and I would like to point out, with every deference, that as I see it throughout the proceedings of this committee I have endeavoured to preside with fairness and courtesy to every member of the committee.

Some Hon. MEMBERS: Hear, hear.

The CHAIRMAN: And with equal courtesy to every witness who has appeared before the committee.

Mr. BERCOVITCH: Hear, hear.

The CHAIRMAN: As each and every one of us knows we have had twenty-five meetings of this committee and opportunity has been given without restraint to ask any questions and to enlarge on our order of reference into fields that were not relevant—

Some Hon. MEMBERS: Hear, hear.

The CHAIRMAN: —to the reference itself; and it seemed to me to be in the interest of the committee and the interest of the public that no restraint be placed at any time on bringing out any infinitesimal evidence from any source that any member of the committee thought should be placed on the record in

reference to this inquiry. This inquiry, as one member said this morning, has been carried on in one form or another, through the royal commission, on the floor of the house, and then in this public accounts committee, from about September 7th or September 8th of 1938. Now, gentlemen, what we are confronted with to-day, whether we like it or not, is that within a few days the house of which we are members is going to prorogue. We cannot stop that unless we want to block it, and when the house prorogues this committee merely ceases to exist. Reference was made this morning to the additional references to the committee, to the one regarding the Montreal Construction Company in connection with the production of shells which was automatically communicated to this committee, and then there was the enlarged reference, to which I think mention was made by Mr. MacNeil, relating to all the contracts given by the Department of National Defence which I understand run into something seven or eight thousand. Now, gentlemen, what I wish to point out is this; there is a motion before the steering committee this afternoon, and I feel that we should have a meeting this afternoon, a meeting should be arranged just as soon as we can possibly arrange it, so that we can reach a decision in that particular connection as to just what is the wish of this committee. But the fact remains that this committee will not be in existence probably after next week, so I submit that members of the committee will have to rely on the judgment of the steering committee this afternoon as to the proceedings and policy to be followed for the next few days. In connection with the present witness, General LaFlèche, I think in everybody's interest we should try to conclude our examination of him as soon as possible.

Now, before putting this motion, might I just mention one other thing, a very important fact, that as chairman of this committee I feel very keenly that each and every member of the committee not only has a responsibility to the public but he has responsibility to himself; and I want you to understand that I am referring to each and every one of us. We have got to take every precaution that no impression goes to the public from this committee that is in any way derogatory to the position of any member of this committee as a member of the House of Commons and as a public servant. I think that is our responsibility to ourselves, when we get away from the other phase of it. In other words, we must realize that the result that this committee is going to have is the responsibility of each and every member of this committee; and the impression that the public has of the proceedings and the results of this committee will reflect on each and every member of this committee. I hope I will be excused for making this statement. I think I have probably taken less time in the committee than anyone else.

Mr. GREEN: It is a good speech.

Mr. DUPUIS: I am ready to allow my motion to go before the steering committee, to be decided there.

The CHAIRMAN: I believe that will be satisfactory to everybody. As it is nine minutes to one now, may I suggest that we adjourn until four o'clock this afternoon, and that the steering committee meet at 3.15. Is that satisfactory?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: Then it is agreed.

The committee adjourned at 12.52 p.m., to meet again at 4 p.m.

## AFTERNOON SESSION

The committee resumed at 4 o'clock.

The CHAIRMAN: Before we proceed with General LaFlèche, I have a letter here from the John Inglis Company Limited reading as follows:—

TORONTO, ONTARIO,

May 23rd, 1939.

Dear Sir:—In checking over the minutes of proceedings of my evidence, No. 17, Tuesday, May 9th, corrections are necessary on the following pages: 494, 500, 509, 511, 522, 531.

I am enclosing copy of issue No. 17 referred to, showing the incorrect word or words underlined in red and the proper substitution.

Yours very faithfully,

JOHN INGLIS CO. LIMITED,

J. E. HAHN,  
*President.*

I will ask Mr. Burgess to read these corrections.

The CLERK: At page 494 in the 9th line from the bottom of the page the word "person" should read "personal"; so it will read, "would have simply tied our personal shares for the period of a contract."

Then, in the next line, "We were quite willing"; Major Hahn says, "I was interrupted after the word willing and had intended to finish, 'We were quite willing to agree to restriction on future capitalization.'"

Then, on page 500 in the 14th line from the bottom of the page the word "growing" should be "going."

At page 509 in the 15th line from the bottom after A. it reads, "The company pays," that should be, "the government pays."

On page 511 at the 7th and 11th lines the name, "Mr. Ingram," should read "Mr. Ainsworth."

At page 522 in the 8th line from the bottom of the page the word "held" should read "followed."

At page 531 at line 17 Major Hahn says, "The period on this page marked by a circle should be substituted by a common, to convey the proper intention of my statement." That refers to the period just preceding the last sentence in the answer to the first question by Mr. Green on that page.

The CHAIRMAN: That completes the corrections.

Mr. GREEN: I guess we will have to read over and make corrections in all our statements.

The CHAIRMAN: Possibly they would be just as well not corrected sometimes.

*By Mr. McGeer:*

Q. Now, General LaFlèche, we were dealing I think with the general situation at the time of adjournment—

The CHAIRMAN: Excuse me just a minute, Mr. McGeer. I apologize, gentlemen. Before proceeding I should have reported to the committee that the sub-committee not having concluded its deliberations is going to sit again immediately after this committee at six o'clock.



*By Mr. McGeer:*

Q. Was the Department of National Defence ever in a position to establish a public arsenal for the production of Bren guns in Canada?—A. Mr. Chairman, no. We have never been able to find the funds for public production. There were other armament equipments or munitions all of which we needed and these have more than taken up the amount voted to the department in getting on with our budget, our limited budget, we have been obliged to spend the money voted the department in these other ways.

Mr. HOMUTH: Might it not be well, Mr. McGeer, at this point—you asked him, the Department of National Defence was never in a position to do it—I think we ought to just show the differentiation there between the Department of National Defence and the government; had the government desired to bring down a vote for this money it would have put the Department of National Defence in a position to do that.

Mr. McGEER: I thought we went into that in examining the government, I mean the Hon. Mr. Mackenzie. I hardly think this official could tell us what took place as in the council chamber of the Governor in Council or as to what took place between what is commonly known as the treasury board; but I understood the minister to tell us that he had never been able to secure a sufficient amount of money to permit the establishment of public production of ordnance of the type of the Bren gun without taking the funds that were required for other indispensable requirements, and I thought he explained to us that the budget was given in a lump sum and they had to meet the administration of the department. The witness before us, as you know, is the operating permanent head of the Department of National Defence.

Mr. BROOKS: In that connection, Mr. McGeer, would you refer the General to exhibit 85 where there is a comparison of estimates for the manufacture of Bren guns in Canada. The department had made an estimate and there is a comparison between Major Hahn's estimate and the National Defence headquarters' estimate and the war office's estimate. You will recall that, General LaFleche?

The WITNESS: May I look that up? That occurs in exhibit number what?

Mr. McGEER: It refers to exhibit No. 85.

The WITNESS: Yes.

*By Mr. Brooks:*

Q. If Mr. McGeer will pardon me for interjecting. In this comparison, General LaFleche, reference is made to the item of machines. That refers to the machines for the manufacture of Bren guns; have you that before you?—A. I have exhibit 85 before me, yes. It is a memorandum.

Mr. BROOKS: Turn over to the next page.

Mr. BERCOVITCH: Let him read the whole thing. He cannot discuss the next page before he reads the first page.

The WITNESS: May I read it?

Mr. BERCOVITCH: Yes, go ahead.

The WITNESS: This is a secret memorandum dated the 25th of November, 1936. It is addressed to the Master General of the Ordnance and it is signed by Colonel N. O. Carr, the Director of Mechanization and Artillery. It reads:—

In some respects Mr. Hahn's figures and our own are similar, but before making an exact comparison it would be necessary to obtain answers to the following from Mr. Hahn:—

[Major-General L. R. LaFleche.]

- (a) Machines. Does the figure of \$500,000 represent the installed cost?
- (b) Tools, Jigs, etc. Does this include only the manufacturer's equipment?
- (c) Does cost per gun of \$350 include all accessories such as tripod, spare barrel and complementary stores? Does it include inspection and packing? Does it include royalty?

And there is a note on there addressed to Colonel Carr under the initials D.M.A., "To await Major Hahn's arrival"; and signed by Major-General Clyde Caldwell, Master General of the Ordnance.

*By Mr. Brooks:*

Q. That memorandum naturally would have come after the comparison of the estimates, I presume. It refers to this comparison?—A. To what, please?

Q. That memorandum refers to the estimates on the next page, does it not?—A. I believe the original was attached to exhibit 85. I believe these two documents go together.

Q. Yes?—A. May I read it now?

Q. Yes.

BREN L.M.G.  
Comparison of Estimates

Item	Mr. Hahn	N.D.H.Q.	War Office
Machines.. . . .	\$500,000 00	\$700,000 00	
Tools, fixtures, gauges, etc. . .	275,000 00	.....	
Capacity yearly.. . . .	2,000	1,000 min. 2,000 max.	
Cost per gun.. . . .	\$350 00	\$750 max. \$375 min.	\$500 00
Delivery.. . . .	Production commenced 15 months from start of set up.		

It is headed, Bren Light Machine Guns—Comparison of Estimates. The heading of the first column is, "Item"; the heading of the second column is, "Major Hahn"; the heading of the third column is, "National Defence Headquarters"; and the heading of the last column is "War Office". The item "machines"—I take it that they are the machines with which to produce the guns?

Q. Yes, that is right.—A. And under Mr. Hahn's name is shown \$500,000; under National Defence Headquarters is shown \$700,000; and we did not have any information from the war office so that item is left blank in the war office column. The second item, "Tools, fixtures, gauges, etc."; under the Hahn column \$275,000; evidently the Master General of the Ordnance did not have any information so he put nothing in the column of National Defence Headquarters.

Q. Did that \$700,000 not include tools, fixtures and gauges?—A. I do not see why—it would not follow, you know. In the department, I may say—and in all manufacturing concerns—a very great difference is made between machines and what in this country we call machine tools.

Mr. McGEER: Well, was this exhibit—

Mr. BROOKS: Let him finish this, Mr. McGeer.

Mr. McGEER: Pardon me.

The WITNESS: And the third item, "Capacity yearly"; under the Hahn column, 2,000; under the National Defence Headquarters column heading 1,000 minimum and 2,000 maximum; there was no information and nothing was shown

under the war office column. The fourth item, "Cost per gun"; under the Hahn column \$350; under the National Defence Headquarters column \$750 maximum and \$375 minimum; and under the war office column \$500. Then, "Delivery"—under the item "Delivery" in the Hahn column, "Production commenced 15 months from start of set up". Nothing is shown under the National Defence Headquarters heading nor under the war office heading.

*By Mr. Brooks:*

Q. Could you explain the difference of \$200,000, General LaFleche, between the estimate of machine purchases by Major Hahn, we will say, and those by the National Defence Headquarters? Why should there be such a difference?—A. I shall do my best to explain that, Colonel Brooks. You will see by exhibit 85 that it was returned by the Master General of the Ordnance to his director of M. and A. returned directly to him and it remained in the branch of the Master General of the Ordnance as Major General Clyde Caldwell said there, to await Major Hahn's arrival. Now, you asked me to explain the differences in the estimates. It is not possible to make comparisons in some columns because nothing is set up, there having been no information. In the item "machines" Hahn gives it as \$500,000 and the National Defence Headquarters give it as \$700,000. In both cases it can only be said that neither party had sufficient information to estimate closely.

Q. In one case were the machines installed and in the other case were they not installed? I notice in the memorandum there is a suggestion of doubt in the mind of Colonel Caldwell.—A. You see, Colonel Carr asked that question of the Master General of the Ordnance. It is submitted that neither Colonel Carr nor the Master General of the Ordnance had information which would permit him to answer Colonel Carr's question.

Q. To follow that up, did they eventually get the information?—A. Oh yes, we got it with the assistance of the war office, long after.

Q. And was there still this difference of \$200,000 between Major Hahn and the National Defence Headquarters?—A. The proper information was obtained later from the only people in the Empire who could closely estimate that, and that was the war office; and it proved that both the Master General of the Ordnance branch and Major Hahn were wrong.

Q. Well, as a matter of fact eventually the government purchased the machines and paid for their installation in the Inglis factory?—A. Quite right, and retains the ownership of them too.

Q. And what did it cost, General LaFleche?—A. The estimate, as I remember, for the machines and for the tools, dies and jigs is in the neighborhood of \$1,500,000.

Q. Could the government not have installed them in a factory of their own for the same price or for the same amount, at least?—A. If we had had a factory, yes; I am quite sure they could have been installed in one suitable place or another.

Mr. McGEER: May I come back to this exhibit 85? You are going into another phase of the matter now?

Mr. BROOKS: All right.

*By Mr. McGeer:*

Q. This exhibit 85 was an estimate made on the 25th of November, 1936?—A. Yes.

Q. You also received from Major Hahn from London on the 24th of November, did you not, a cable?

Mr. MacNEIL: What is the exhibit number?

Mr. McGEER: Exhibit 84.

[Major-General L. R. LaFlèche.]



The WITNESS: Yes. May I read it?

Mr. McGEER: Yes.

The WITNESS: It is exhibit 84 and it is a memorandum which I wrote to the Master General of the Ordnance upon receipt of a cable from London. The cable came through the High Commissioner's office and it reads as follows:—

Following from Hahn, begins:—

Bren can be produced Canada 15 months delivery. Cost of tools fixtures all gauges and setting up 275 thousand dollars. Machinery 500,000 dollars. Provide production 6,000 Bren or 30,000 rifles annually working 3 shifts Enfield factory cost \$250 based on 15,000 runs. Enfield production commences September, 1937, and expects to complete first run 15,000, March, 1939.

That is the way I read it here. Continuing:—

Canadian factory cost approximately \$350, based on run 50 per week single shift. War office interested and possibility their financial co-operation. Sailing November 28th bringing complete date. Ends.

It says "date" here, but I think it is "data". This came in code. It was decoded and the decoding officer added the following notation:—

Note word underlined subject to correction. That is \$350.  
When check received I will advise you *re* correction.

Q. It was on November 25 that you got at this estimate which is contained in exhibit 85; is that right?—A. You see, I informed the Master General of the Ordnance whose job was to follow these matters up, to work out all details including estimates, and he got my memorandum. Then he had the Director of Mechanization and Artillery put in a little statement, a comparison of estimates, from the information available in the department; and that was reported by Col. Carr to the Master General of the Ordnance and the Master General of the Ordnance said, "Well, await Major Hahn's arrival."

Q. When you came to put into actual practice the test of these estimates, you found that they were considerably below the actual cost requirements?—A. Yes; and I can add that I know from correct, proper, official sources that the Enfield plant itself underestimated the cost of setting up their own plant.

Q. For instance, they apparently underestimated or, at least, Hahn was badly informed when he stated that production would commence in September, 1937; because production, according to the evidence of Lieutenant Jolley, did not commence until 1938; they were entering production in the summer of 1938.—A. You are quite right, sir.

*By Mr. Factor:*

Q. Production at Enfield?—A. At Enfield.

*By Mr. McGeer:*

Q. This exhibit says production was to commence in September, 1937; and the evidence of Lieutenant Jolley was to the effect that in the summer of 1938 when he went there Enfield was just entering production.—A. May I point out that this is another indication that nowhere in the British Empire at that time was there any real, correct, complete information. The best available information was at the war office and the Enfield plant.

Q. These estimates were preliminaries, but obviously were far from complete?—A. They represented the best then available information.

Q. But in the light of subsequent experience they were estimates that were both incomplete and inaccurate, were they not?—A. Quite right. I have already told you that the Enfield plant itself were disappointed, shall I say, by having to incur greater cost and incur greater delay as they proceeded with the production of the gun in their own plant.

Q. On November 27, according to exhibit 86, another message was sent?—  
A. May I read that?

Q. Yes.—A. It is exhibit 86 as you have said, sir, and it is a memorandum to me from the Master General of the Ordnance dated 27th November, 1936. It reads as follows:

Suggested that the following radio be sent to the High Commissioner of Canada in code:

Please hasten from war office information requested in our two nine four dated November sixth concerning Bren gun.

I approved it the next day when evidently I received it; and it was coded and dispatched.

Q. The reply came to that, according to the same exhibit 86, on December 3rd, 1936. Have you got that before you?—A. Yes. That is in the same exhibit, No. 86.

Q. Yes, the two are together.—A. It is a naval radio message from the High Commissioner of Canada in London to my department reading as follows:

Your 1621/30 regarding Bren gun am hastening matter. Hope to furnish information at an early date.

Q. When did you decide that production in Canada would require a minimum of 12,000 Bren guns?—A. In or after December, 1936.

Q. It was about that time that that decision was arrived at?—A. It became apparent that that minimum number would be required if the gun were to be produced economically in Canada.

*By Mr. Brooks:*

Q. Was that based on Major Hahn's report to you?—A. Yes; on Major Hahn's return to Canada he brought with him information or news that was of very great interest to the department. We had then a statement from a man who had been to the war office. We knew that he had seen the officials over there. He was telling us all about it. He said, "They are interested in an auxiliary source of supply." He added other things such as "They might want to put up a plant in England, but there is a possibility that they will place an order with us." Well, right then and there was an opportunity for Canada to save money, and to achieve self-sufficiency in regard to this important weapon. Then I immediately did my very best, and I followed it up as best I could, to have that confirmed; in other words, to get the decision of the war office.

*By Mr. MacNeil:*

Q. Was that report confirmed from any other source or did you rely completely on Major Hahn?—A. I attempted for a matter four solid months to get confirmation of the statement made to me, or rather to the minister in writing and then to me verbally by Major Hahn upon his return to Canada in December, 1936. I tried and tried; that has been called by many people "pressing the war office." I was pressing the war office at that time to find what they had told Major Hahn, to get confirmation from them, hoping that now they were ready to place an order in Canada for 5,000 guns.

Q. In answer to Mr. McGeer's question, you said that you reached the decision that 12,000 Bren guns was the minimum number for economical production in Canada?—A. Yes.

Q. Was that decision reached solely on the basis of Major Hahn's report or did you have reports from other sources that confirmed his judgment?—A. Well, sir, I venture to suggest that I did not need to have it confirmed to me by anybody that if we could produce a substantially larger number of units with the same capital expenditure, the unit cost would go down considerably. I did not need any confirmation for that. That is seen every day.

[Major-General L. R. LaFlèche.]

*By Mr. McGeer:*

Q. No. That is not what Mr. MacNeil is asking. My question was: When did you decide that the minimum economical number for production in Canada was 12,000? His question was: Did you decide that on Major Hahn's testimony or was it confirmed by yourself from any other source in your own department or otherwise—A. I think it came about in this way: We had known in the summer or the late spring of 1936 that our ultimate requirements would be 7,000. That remained a matter of record and in our minds. Major Hahn came back with a statement that the war office were interested in him for a 5,000 order.

Q. Yes?—A. The simple process of adding 7,000 and 5,000 makes 12,000; and our technical officers considered that that would indeed make a sufficient number of units to make it possible to have the gun produced economically in this country.

Q. What Mr. MacNeil asked was whether this proposal of Hahn's that 12,000 were required to reach economical production in Canada was confirmed by your officers in the department?—A. Oh, yes. They were quite satisfied that the additional 5,000 for the British made all the difference in the world.

Q. On December 12, you got a letter from Widdows?

Mr. MACNEIL: What is the exhibit number, please?

Mr. McGEER: I have lost track of these exhibits. We dealt with exhibit 90 yesterday. The letter of December 12, 1936, is exhibit 106. It reads as follows:—

I am commanded by the army council to acknowledge receipt of your letter of the 3rd December, 1936; on the subject of machine gun deliveries.

I am to state that the situation is that the whole of the capacity of the Royal Small Arms Factory, which is at present the only source of supply apart from Czechoslovakia, will be fully occupied with war department requirements until at any rate 31st March.

That date is not in there, but it must be 1938.

The WITNESS: I have it as 1939.

*By Mr. McGeer:*

Q. If demands of the size envisaged in your letter were received from Canada for delivery before 31st March, it would necessitate purchase from Czechoslovakia or the creation of another source of supply.

I am to state that the council are considering the desirability of creating a second source of supply for their own requirements, and their decision in this matter would be influenced by whether or not the Canadian government decided to place an order in this country.

When you received that letter you were aware that there was no possibility of getting guns from England until after 1939?—A. I did, sir. May I explain this? That was attached to a letter addressed to me by the secretary of the office of the High Commissioner for Canada, dated 17th December, 1936. That letter was not received, mind you, on the 12th of December; it was sent to me by Canada House on the 17th December, 1936, and received in my department, by myself anyway, on the 29th December, 1936. Your question, sir, was what?

Q. You were aware that you were not able to get guns through the British war office until after that date named?—A. Yes, sir; I have already answered that.

*By Mr. Brooks:*

Q. Is that not two or three years earlier than they are having them manufactured?—A. Here is another one of these war secrets that are no longer



secret. I just want to say this: They could not deliver our guns to us now. We have already gone beyond the 31st of March, 1939, and had we placed our order with them we would not have had our guns now. I assure you of that. May I say this? We ordered 21 guns in 1937 I believe and they were received, in February of this year—21 guns. Just for the sake of the truth, and for the ears of any of our enemies, if there are any in any part of the world, they are producing the guns much faster now.

*By Mr. McGeer:*

Q. At that date, that is, in the middle of December, 1936, you were confronted with the proposition of placing an order in England?—A. Czechoslovakia, sir, or England.

Q. No, I mean, there is a secondary source of supply named in that letter. If you had placed an order at that time it would have developed the secondary source of supply in England?—A. Yes, and that would defeat my end and what I considered to be an extremely important point for all concerned.

Q. The letter states if you place an order there the British government is considering setting up a secondary source of supply. What do you know about that secondary source of supply? What was that?—A. I understood it, and I still understand it, that that would have been a private factory in England, and I wanted a factory in Canada.

Q. On the other hand, if you could get the British war office to place an order for 5,000 guns here there was the possibility of getting Canadian production under way?—A. Yes, sir.

Q. Were you ever in a position to call for tenders for Bren guns?—A. No, I was not.

Q. Why were you not?—A. There were no plans and no specifications and no information in Canada, and no one in Canada was in the business of producing small arms. No definite information had we on which one could determine the number and kind of required machines, tools and plant equipment, and no definite information upon which one could determine the cost of such machines or plant equipment, or the cost of production. There was no information upon which one could even estimate satisfactorily. No production in Canada was possible without a complementary order from the war office. There was no licence in Canada, and no one could be considered as a tenderer, or as a selected contractor under the British plan, unless he had the confidence of the war office as to character, his ability and the means with which to successfully carry out a contract. Without this no one could be considered.

*By Mr. Brooks:*

Q. There would be lots of firms that could supply that?—A. I fully agree. I immediately agree with that in part; as to character, as to ability in so far as basic knowledge of engineering production, and so forth, yes; but no knowledge of the particular problem. And no one came to the department interested or indicating any particular interest except Major Hahn. The war office held the controlling position in the entire matter. When Major Hahn did come it was first made clear to him that we were not then in the market. That is clear in the evidence before the commission. And that in any case we could not consider him unless he was able to convince the war office that he was capable of producing guns in Canada for their requirements. We could never consider him except, of course, on terms acceptable, first, to the war office, then to the Department of National Defence. The market was in England and not in Canada and under terms and conditions first agreeable to the war office then revised by us and made to meet our own views. We could buy in England or, it was even suggested, we could buy in Czechoslovakia, but that course was not considered seriously. But that would mean that there would be delay or, at the very least, uncertainty as to delivery.

[Major-General L. R. LaFlèche.]

There would be no plant in Canada, no expenditure in Canada, no source of supply in Canada in the event of an emergency. All that was held to be of great importance by those who strive to prepare against an emergency. I would much rather have armaments made here, and we can do as we please with them.

Q. You speak of a future emergency, General LaFleche; we all realize that even in a present emergency we would still have no guns this year, next year or the year after.—A. I fully realize that, sir, and I again state that under the present contract we will get them quicker than by any other method. We will have a sure Canadian source of supply, whereas under no other circumstances could we guard against interruption, shall I say, of ocean traffic.

*By Mr. MacNeil:*

Q. Do you exclude all other alternatives?—A. Such as?

Q. You ultimately did secure the information through the agency of Major Hahn upon which you acted, and you previously gave evidence that you had in your department officers fully competent and expert who could have secured entrée to the British war office and could have been entrusted with the specifications, and so on. Could they not have secured that information and brought it back for consideration of the problem?—A. Yes, of course, but remember, please, that we were not then in the market.

Q. But you are speaking of urgency.—A. We were speaking of what?

Q. Urgency, in order to defend Canada, the urgent need of Canada getting these guns. Why did you not proceed along those lines?—A. Every requirement for national defence is urgent and we find that despite the views held that every requirement is urgent we are nearly always disappointed in getting guns. That is the history of the re-armament of the democracies of to-day. But I would ask the gentlemen of this committee, in so far as possible, to remember the general atmosphere of 1936.

Mr. McLEAN: Hear, hear.

The WITNESS: You had no great scare heads in the newspapers then. I was alarmed. There was trouble in the Orient, and, every little while something else followed. There was Abyssinia; there was Spain, and at the time the Bren gun contract was concluded in March, 1938, we had Austria. Austria, to anybody who thought twice about it, meant just what has followed since—Czecho-Slovakia and the Baltic States. And what will be next—German colonies? I do not know. But while one person or a group of persons have that view, that does not mean to say that those persons can do as they please, and you parliamentarians know that much better than I.

*By Mr. McGeer:*

Q. As I read the correspondence, up to the date of this knowledge that the British War Office requirements were absorbing their productive capacity, you were still seeking information as to what guns would cost you, or as to what the cost of setting up a plant for the production of the guns would cost; is that correct?—A. Yes, sir. There was a dearth of information. What little we did have, we wanted to confirm; we were not satisfied with it. And events have proven that we were perfectly right in not being satisfied that we had the best possible information.

*By Mr. Brooks:*

Q. You were depending on Major Hahn principally for this information, General LaFleche.—A. Major Hahn's value to me, speaking on my own—

Q. I am speaking of the department now. Of course, you are the deputy minister of the department.—A. Well, I consulted many people in the department. I took the advice of many people in the department and I did not take the

advice of others. It is the same thing where more than one are given advice on a particular subject. Opinions differ. Finally they come to a common point of view or they do not. May I please have the question again, Colonel Brooks?

Q. You say you were endeavouring to get this information up to 1938, and I asked you if the source through which you were obtaining the information, the particular agent, was not Major Hahn?—A. Did I say 1938?

Q. Mr. McGeer asked you if you were not trying to obtain this information up until 1938. I think that is correct.

The WITNESS: It is quite all right but—

Mr. McGEER: I said up to "this time." This time was December 17, 1936.

Mr. BROOKS: I thought you said 1938.

Mr. McGEER: That is when the conversations with Major Hahn were taking place, and this letter came in showing the productive capacity of Great Britain was completely filled for their own requirements up to 1939.

The WITNESS: Would you pardon me just a moment? Have I failed to answer any questions, sir?

*By Mr. Brooks:*

Q. I just wanted to get that statement from General LaFlèche whether there was any other source except through Major Hahn; that he was obtaining the information in England with reference to the manufacture of these guns.—A. I was doing my very best to get communications through and replies back from the war office concerning these questions right up until the time I set foot in London.

*By Mr. Green:*

Q. You were really relying on Hahn to get you the information with regard to manufacturing Bren guns in Canada?—A. May I differ a bit from you there, Mr. Green, and say rather that after Major Hahn got back to Canada in December, 1936, made his report to my minister, explained many things to me and to my officers in the department, there then appeared the probability of being able to realize in regard to this one weapon the ideal situation for Canada, in my opinion and in the opinion of all my officers, as a matter of fact.

*By Mr. McGeer:*

Q. When these reports from Major Hahn were returned to you what was done with them?—A. I sent them to the proper people, to the branch of the Master-General of the Ordnance.

Q. Were they checked over?—A. Oh, yes.

Q. Investigated?—A. Oh, yes, very carefully.

Q. Because I remember one reference in the records where practically all the leading officers of the department were considering those reports.—A. You are quite right, in that branch. That is the proper branch, and they gave it minute attention, and naturally I referred everything to them.

Q. There were two matters under consideration; there was the possible production in a government plant, which you have told us was not a practical thing because the funds were not available; is that correct?—A. Quite right, for one reason.

Q. There was then the possible production in a privately operated plant of whatever contract could be derived from the British War Office and possible contract from your own department?—A. Whichever were feasible and the more economical, yes.

Q. Now, the thing that Hahn was interested in was the investigation that would make possible production in his plant?—A. Of course.

Q. And that was somewhat different in general scope from an investigation for a government arsenal. For instance, I suppose if you were considering [Major-General L. R. LaFlèche.]



a government arsenal you would send your own officials to London; is that right?—A. Yes. Whoever was going to make the gun had to go right to London.

*By Mr. Green:*

Q. Then you had no idea at all of manufacturing in a government arsenal before Hahn went to England?—A. Nor did I have any idea of buying them from anybody except that the probability was that if we acquired any we would get them through the war office.

*By Mr. MacNeil:*

Q. Then you did not complete the exploration with regard to public manufacture?—A. When Major Hahn returned to Canada in December, 1936, he had a story—he made a report of what had happened in London while he was there in relation to the war office. He brought back to us a statement which, if confirmed and acted upon by the war office, decided the problem for my department as far as having the plant in this country was concerned, quicker delivery of guns at a reasonable cost, and the powerful backing and guidance of the officials of the war office, and what even then, before the days of any criticism, was welcomed with open arms on all sides, the doing of something in conformity with the business people of the War Office who I considered, and I continue to consider, are extremely efficient in business matters. What business experience I had had been first of all in a bank, and the business mentality and the business achievements of the British were borne in upon my mind at a very early stage. I have always continued to respect those gentlemen and their capacity, and with me that was a potent factor.

*By Mr. McGeer:*

Q. When you arrived in London Major Hahn met you. You remember that date?

MR. GREEN: Before we go on with anything else, I think we ought to clear up what happened in 1936.

MR. MCPHEE: Again?

*By Mr. Green:*

Q. General LaFlèche, I see there is an exhibit here, exhibit 269, which is a letter dated September 15, 1936, from Hugh Plaxton to the Minister of National Defence. The letter reads as follows:—

I enclose herewith copy of a letter received from the Prime Minister. Thanking you for your many courtesies, I remain,

Yours sincerely,

HUGH J. PLAXTON  
per J.M.

This exhibit includes also a letter from the Prime Minister to Mr. Plaxton dated September 12, 1936, which is referred to on page 17 of Mr. Justice Davis' report. Did this letter of September 15 to the minister come to your attention at all?—A. It did not, Mr. Green. I heard of this letter during the Bren gun inquiry before Commissioner Davis.

Q. When did you first hear of Major Hahn?—A. Well, I had heard of him about ten years prior to that time; but I do not think that it is of particular interest. I heard of him whilst in my capacity as dominion officer of one of the veterans' associations. Major Hahn had written a book on the intelligence service of the Canadian Corps during the great war and I think at that time, very generously he had offered his book to be sold and the whole proceeds to go to the association of which I was a dominion officer. Then I first met him face to face the first time he called at my office.

Q. That was on October 9?—A. I believe that was it.

Q. That was 1936?—A. About that time, yes 1936.

Q. Did you know before that that he and Mr. Plaxton were coming to your office about munition contracts?—A. I do not think I did.

Q. Did you make an appointment with him?—A. No, I do not think I did.

Q. They just walked in?—A. I do not remember. It is not usual—funnily enough—that I make appointments of that kind. I see every gentleman who wants to come to my office.

Q. You are not clear, but you would not say for sure whether or not you had made an appointment?—A. I am practically certain that I had no appointment with him.

Q. But at any rate a few days after that meeting you wrote the letter to the Under Secretary of State for Foreign Affairs, dated October 20, 1936?—A. Yes, quite right.

Q. It is found at page 20 of the commissioner's report.—A. Exhibit what?

Q. Exhibit 74. And in the first paragraph of this letter you explain Hahn's position as representing a reliable group which controlled certain manufacturing plants capable of manufacturing armaments and munitions, located in a large industrial centre where the labour and material factor is stable and favourable. I suppose you would not contend to-day that is an accurate statement of facts?—A. I am so sorry—would you repeat that?

Q. I suppose you would not contend to-day in the light of the evidence that has come out during those different proceedings that that accurately sets out the position of the plant in which Hahn was interested?—A. What portion of that, Mr. Green, do you deal with?

Q. The portion which reads as follows, or which describes Hahn as representing a reliable group which controls certain manufacturing plants—you notice, not "plant" but "plants."—A. Yes.

Q. Capable of manufacturing armaments and munitions, located in a large industrial centre where the labour and material factor is stable and favourable.—A. May I make my remarks in reply to that? As far as where the labour and material factor is stable and favourable is concerned, that was in Toronto, and I am sure there is no objection to that. Yes, that is perfectly all right. Now, with regard to controlling certain manufacturing plants capable of manufacturing arms and munitions; yes, that was correct at that time.

Q. I beg your pardon?—A. Was correct at that time. That was a plant that had produced armaments and munitions during the war.

Q. Perhaps you had better start off at the beginning. Let us start with the words "a reliable group". The evidence before the commission showed that you did not know who was in the group at all?—A. Quite. That is perfectly right; I did not know who they were; but I had reason to believe, and good reason to believe—first of all I accepted Major Hahn as being reliable and competent and very desirable in every respect after I had finished having a talk with him. I realized then who he was and what he had done. His associates—I did not know who they were.

Q. Did you ask him who they were?—A. No, I was not interested in that.

Q. Why would you say that they were a reliable group? At least two of them were lawyers and then there were two or three stenographers.—A. Well, just a minute. Are they—I do not want to quarrel about that. Are they unreliable?

Q. Well, at any rate—

Mr. McDONALD: Are all lawyers reliable?

Mr. GREEN: Mr. Chairman, I have the right to ask these questions. If the government members who have been sitting—

[Major-General L. R. LaFlèche.]

Mr. McPHEE: We have been very, very patient, and I do not want you to make any reference—

Mr. MACNEIL: We did not interfere with you.

Mr. McLEAN: On a point of order, I do not think Mr. Green has any right to try to bulldoze this witness and the committee. He has been doing it for weeks. I have not complained because I have been at other duties, but I do object to that kind of method of running the committee.

Mr. GOLDING: Blabbering all the time.

Mr. McDONALD: He has monopolized the time of this committee.

Mr. GREEN: Mr. Golding says I have been blabbering all the time. If he wants to blabber he has a perfect right to do it.

Mr. FACTOR: We are permitted to snicker, are we not?

Mr. GREEN: You are pretty good at snickering, I will admit. I would ask, Mr. Chairman, that I be allowed to go ahead and get the answer to the question. General LaFlèche is perfectly able to take care of himself.

The CHAIRMAN: You go ahead.

Mr. GOLDING: It is quite evident by the answer to the question that he can take care of himself.

The WITNESS: I was not listening to the family squabble. I hope that is not for the record. May I have it again?

*By Mr. Green:*

Q. May I put it this way: you had no information of who the group were with whom Hahn was associated?—A. Yes, I had a description of them, but I did not know who the persons were. I knew—I mean in the light of what you have in mind, no. I knew, however, and that was very, very impressive, that Major Hahn had at his command the services of very, very competent men who had been with him before in previous production operations, yes.

Q. You mean his workmen?—A. Well, some had worked with him; yes; and I quite realized then that they were competent men and the type of men who would be very valuable in an undertaking of this kind.

Q. You say “group which controls”. Now, what did you know about the group which controlled these manufacturing plants?—A. I did not know, in the sense of your question, in the sense of the question that you have in mind.

*By Mr. MacNeil:*

Q. Did you secure any confirmation of Major Hahn’s statement at the time before the letter was written?—A. I did before I went deeply into the matter with him.

Q. At the time this letter was written?—A. Yes; I satisfied myself that he owned and he was the principal figure, is still, and several times assured me that he is going to remain the principal figure, yes. I did satisfy myself that he was—how shall I say it?—reliable and capable in every respect.

*By Mr. Green:*

Q. Then, did you —A. Worthy of every respect.

*By Mr. MacNeil:*

Q. Was that based purely on your conversation with Major Hahn or did you receive confirmation of that from independent sources?—A. Well, let me give you the first impressive thing from that point of view. Apart from what Mr. Plaxton told me when he first saw me with Major Hahn— I do not know whether you will recall, but Major Hahn after his return from England took up the question of financing this operation with the Bank of Montreal. I knew



of that. He went down to Montreal, saw the head office people there, and was assured by them that they would back him up financially, and I knew that that meant a great deal because I knew roughly what money would be required. That was in December of 1936, at the time when I began to take him seriously as a possible manufacturer of the gun for the war office.

Q. Of course, General, this was October of 1936 when your letter was written?—A. Quite right.

Q. Then, we will go on?—A. I want to make it very clear that I was well impressed with Major Hahn. I had talks with him.

Q. You had no talks, had you, at the time you wrote this letter?—A. I think two.

Q. And then you said, certain manufacturing plants?—A. I described that yesterday, and I think very correctly and very properly described that; that in the John Inglis organization there are a number of different plants.

Q. And you had in mind, what you really meant—A. One organization.

Q. —the Inglis set-up was more than one plant; is that what you had in mind?—A. Yes; and I think that is appropriate now, too.

Q. And capable of manufacturing armaments and munitions?—A. I knew that they had done that during the war, and the then Master General of the Ordnance was well acquainted with the old plant, having known of it in his official army capacity during the war. He used to tell me what he knew of that plant, and others also knew of that plant, others in the department. I have known of that plant for years past and it had generally a fine reputation.

Q. What you knew was—A. Was good.

Q. —along that line, that the old Inglis firm had manufactured shells?—A. Yes.

Q. That was all the armaments or munitions they manufactured, was it not?—A. I think it was described in general terms. I knew they had made shells; they had made a lot of shells.

Mr. GREEN: Would you call that—?

Mr. BERCOVITCH: Let him get through with this. Continue, General LaFlèche, please.

The WITNESS: I knew, before I ever met Major Hahn, I knew the John Inglis plant was capable of manufacturing armaments in addition to shells.

*By Mr. Green:*

Q. Well, the next day—A. As a matter of fact, he was talking—he first talked—I first heard of the company in regard to the manufacture of aircraft; I think I should probably say airframes, there is a distinction to be made there. There was a question of tanks which arose and that was without doubt the type of an organization that could do that work.

*By Mr. MacDonald:*

Q. As a matter of fact, General LaFlèche, he went to you first with that in mind, did he not?—A. That is what he had in his mind when he came to see me; first, aircraft, and shells. I am not quite sure about his having mentioned tanks also.

*By Mr. Green:*

Q. He was after a contract for any type of munitions was he not?—A. Just like every other man who comes in my office. There is no one who comes in there who says I am interested only in one particular thing. They have all been seeking business, and I have done my very best to help every one of them. We could enlarge upon that, and after all we are all working towards the same end; and I hate to appear to be arguing against anybody on this committee; but there are so many other instances where people have gone to England, have

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been followed up right through in person, with more emphasis than was used in the case of Major Hahn—if you want to put it that way—and these gentlemen did not succeed, but that is no fault of the Department of National Defence, at least of the deputy minister; they could not sufficiently impress the people over there who had the deciding factor.

Q. I think in a minute we will point out to you how this letter may have helped Major Hahn in England. On the following day, October 21st, 1936, you received a report from your resident inspector of the aircraft inspection department with regard to this Inglis plant, did you not?—A. I think, if I recall correctly, I received it on the 23rd of October, and so stated yesterday.

Q. That report is found at page 22 of the commissioner's report, and it reads as follows:—

This plant is primarily equipped for the manufacture of boilers, turbines and the working of heavy plate generally. All equipment is in reasonable good condition, considering the length of time it has been in use.

The machinery at present in this factory, with few exceptions, is unsuited for the manufacture of aircraft, but it might be used for the manufacture of tanks or shells. . . .

This factory is at present inoperative and has not been in operation since April, 1936. There is no design staff at present employed and the total number of workmen now employed consists of three men as factory maintenance staff.

In the meantime apparently your letter had gone over to the Under-Secretary of State for External Affairs?—A. That is right, sir. I recall again that I received that on the 23rd—

Q. Of October?—A. I would say—I haven't got the original, this is a copy and it is possibly in error, it says the 23rd of December. I must have heard of it about the time it came into the department.

Q. When you saw that report from your inspector did you write any letter correcting your letter to the Under-Secretary of State for External Affairs of October 20th, 1936?—A. No, there was no reason for doing so.

Q. You did not consider there was any reason for doing so?—A. No, as a matter of fact he confirmed—

Mr. BERCOVITCH: No one else, bar yourself, does either.

Mr. GREEN: Well, you speak for yourself.

*By Mr. Green:*

Q. Then Major Hahn proceeded to England and he was instructed to get information for the department about the manufacture of the Bren gun?—A. Would you mind if I asked you where you got that impression?

Q. I beg your pardon?—A. It is not proper for me to question you, but you would help me if you would tell me where you got that impression as of that time.

Q. At some stage or another?—A. Where do you see, up to now, that he was instructed to do this or to do that?

Q. Well, it must have been at that time. I wanted to find out when it was?—A. I am perfectly content if you just agree that it was not up to that time. We will come to it again later on.

Mr. MCPHEE: Is there any evidence that it was so?

The WITNESS: He was not instructed to get anything. He came to my office and wanted business. I said I didn't have any to give him, as I had told all the others who had come to my office. Well, where is this? We hear so much about this. It is a general story—where is all this business we hear so much about in the newspapers? The war office are re-arming, the British

government are re-arming in a big way. There is your market. Some of them, quite a number of them, said I am going over to see what is in that market.

*By Mr. Green:*

Q. When was it that Major Hahn was asked to get detailed information about the manufacture of the Bren gun; because he brought back a report to the department in December which the department acted upon. I understood you to say his morning that you had made an arrangement by which he could get that information. Now, if that is not the case, it is just a matter of saying so?—A. I do not recall saying that myself.

Q. How did Hahn come to go and get sufficient information to bring back a detailed report to the department?—A. I think I can answer that. He left for England some time after my letter of October 20th, 1936, addressed to the Under-Secretary of State for External Affairs—he went to England but there could not get a full and complete entry, not entry to the war office but into the Enfield plant, that free and necessary entry into the Enfield plant which he wanted and which he needed.

Q. On that point, may I ask if the commissioner is wrong when he finds at page 23, about the middle of the page:—

Major Hahn and Mr. Hugh Plaxton called upon Mr. Massey, the High Commissioner, upon their arrival in London and gave to him the minister's letter of introduction. Major Hahn was given to understand, he said, that an appointment would be arranged for him at the war office and after waiting for something over a week he says he became "very, very impatient, I am afraid," and he telephoned the Minister of National Defence in Ottawa from London.

That shows he could not even get into the war office.

Mr. BERCOVITCH: Why ask this witness questions about what happened in London? The witness was not there.

Mr. GREEN: But the witness made a statement that Major Hahn got into the war office but could not see the plant. I want to check up on that.

Mr. BERCOVITCH: Check up in any way you like. But ask him something that he happens to know.

*By Mr. Green:*

Q. They phoned you about it, did they not, Major LaFleche?—A. No, they did not phone me. They cabled me.

Q. They cabled you?—A. Yes, cabled me. I think you will find that they telephoned to my minister; they also cabled to me, I believe.

Mr. FACTOR: The report says so.

*By Mr. Green:*

Q. At any rate, the next day after they cabled and phoned, Hahn was appointed representative of Canada. We have all that in the Davis commission report and the evidence.—A. Exhibit what?

Q. I beg your pardon?—A. Exhibit what number? That would be a cablegram dated the 9th or 10th of November?

Q. Exhibit 99.—A. That would be the 10th of November, 1936. Shall we just have a look at that? Exhibit 99. That is right.

Q. Yes. That specifically sets out that Hahn was authorized to get for the Canadian government particulars about the manufacture of the Bren gun.—A. It reads:—

You might request war office to give Major Hahn, as representing Canadian government in this particular, any information which they consider desirable and necessary to enable National Defence to reach conclusion on possibility produce Bren gun in Canada.

[Major-General L. R. LaFleche.]



Q. Then was Major Hahn also to find out the possibility of buying Bren guns for the department in England?—A. I beg your pardon?

Q. Was Major Hahn to get information also about the possibility of buying Bren guns in England for the Department of National Defence?—A. Never, to my knowledge; never would that happen, to my way of thinking.

Q. Was there any discussion with him?—A. That he buy for us?

Q. No, that he make inquiries in England as to the possibility of the department buying Bren guns from the British?—A. Well, he was certainly not commissioned particularly to get any such information; but in finding out whether there was a possibility of getting an order for Canadian made Bren guns, he would necessarily have to ask whether the British sources of supply could meet the war office requirements. No one could escape entering upon that phase of the discussion. But to say that he was commissioned or requested or enabled in any manner whatsoever to buy guns for our department would not be right.

Q. I do not say that. I am simply asking whether Hahn was to get information in England about the possibility of the Canadian government buying Bren guns in England.—A. No. But as I say...

Mr. McGEER: Exhibit 99 speaks for itself.

The WITNESS: As I say, it is inescapable. That is a point that would arise in the mind of anybody, in a discussion between any persons who were conversant with the possibility of the British government placing an order in Canada. They would have to discuss that.

Mr. McGEER: The telegram speaks for itself. It says:—

Have discussed matter with Minister of National Defence. You might request war office to give Major Hahn, as representing Canadian government in this particular, any information which they consider desirable and necessary to enable National Defence to reach conclusion on possibility produce Bren gun in Canada. It is not desired to request furnishing of information on any article other than this gun.

Mr. GREEN: Of course, in connection with the Bren gun, as General La-Fleche says, there would have to be a discussion as to whether the British could fill their requirements in Great Britain; and I presumed that there would also be discussion as to whether Canada could buy her guns from Great Britain. That is what I am asking, whether Hahn was to find that out for the department or not.

Mr. McPHEE: He has already answered that.

Mr. BERCOVITCH: He says that as far as his department was concerned, he had no instructions at all.

Mr. GREEN: I want his answer.

Mr. BERCOVITCH: I know. But you are asking questions about something that happened over in England. You are asking more than that. You are asking this witness to tell us what went through Hahn's mind at the time he was over there, and the discussions he had with members of the war office over there.

Mr. GREEN: Mr. Bercovitch, that is a very nice speech.

Mr. BERCOVITCH: It is not even a speech. It is not even that. It is just a comment.

Mr. GREEN: What I was asking was whether there was any arrangement made—

Mr. McPHEE: He has answered that.

Mr. GREEN: —with Major Hahn that he should find out whether Canada could buy her guns from Great Britain.

The WITNESS: The answer is "no" if I understand the question.

Mr. BERCOVITCH: He has said that more than once.

The WITNESS: I hoped I had explained very clearly that I said "no". That explanation should have been "no".

*By Mr. Brooks:*

Q. Naturally, Major Hahn was not working against his own interests?—A. I beg your pardon?

Q. I say, naturally, Major Hahn was not working against his own interests?

Mr. McGEER: That is hardly fair to Major Hahn; because if you follow the evidence that has already been given you know that the Department of National Defence were pressing the war office for prices and times of delivery; and you know at the same time that the war office had advised the Department of National Defence as to the possibility of supplying the guns up to 1939. We had a letter of December 12 read on that very point, that they could not supply them.

Mr. GREEN: Actually, General LaFleche, when Major Hahn came back, he did report to the Department of National Defence on that very point; that is, as to the possibility of Canada buying guns?

Mr. McGEER: I think that has gone far enough, Mr. Chairman.

Mr. MacNEIL: He can ask that question, surely.

Mr. McGEER: It has been answered three times.

Mr. MacNEIL: It is the first time it has been asked of General LaFleche.

The WITNESS: Let us read Major Hahn's report.

Mr. McPHEE: This is the sixteenth time it has been read.

The WITNESS: Never mind. Let us read it again. What is the number?

Mr. GREEN: You do not need to read the report.

The WITNESS: I may say that the minister was good enough to pass the report over to me and I passed it on to the Master General of the Ordnance. The whole situation was gone into. I again went after the war office to get an answer, yes or no, can you confirm what Major Hahn has told us? That was the effect of everything I did up to the time I arrived in London at the beginning of May, 1937. I wanted the war office to either say "Yes, we told him we would be interested in Canadian guns," or "No, we would not be interested"; because I did not know what to do in the meantime. That is no funny position to be in, I can tell you.

Mr. GREEN: I think it is necessary that we trace what happened as a result of your letter to the Department of External Affairs of October 20, 1936, General LaFleche.

The WITNESS: All right.

*By Mr. Brooks:*

Q. I should like to refer to exhibit 97. You might read that letter, if you will, General LaFleche.—A. That is exhibit 97. That is a letter signed by George P. Vanier, Secretary of the Canadian High Commissioner in London, and addressed to the Secretary of State for War in London. It is dated 6th November, 1936.

Mr. BERCOVITCH: Do we want that on the record again? You have that on the record once, if not twice. There is no use of burdening it.

Mr. BROOKS: We will not ask for the full letter to be put on record; but in connection with what Mr. Green has been discussing here, I should like to have the second paragraph on record.

Mr. BERCOVITCH: Read it yourself.

[Major-General L. R. LaFleche.]

The WITNESS: The second paragraph of the letter I have just described reads as follows:—

In this connection the department must consider the possibility of the gun being manufactured in a plant or plants other than government owned, such as for example, those controlled by Major J. E. Hahn, D.S.O., M.C., a former officer of the Canadian Expeditionary Force, representing a reliable group which controls certain manufacturing plants capable of manufacturing armaments and munitions located in a large industrial centre where the labour and material factor is stable and favourable; in this connection there arises the question as to the restrictive provisions of clause 11 of the agreement mentioned, especially paragraph (1) thereof.

Q. All of that except the last three lines corresponds word for word with the statement contained in your letter of October 20, 1936, to the Under-Secretary of State for External Affairs?—A. I recognize it as such.

Q. Who is the superintendent of the dominion arsenal?—A. At where?

Q. At Quebec?—A. Colonel Theriault.

Q. I suppose he is an expert in armament and munition matters?—A. He is undoubtedly an expert and a very efficient officer in the production of those articles which up to date have been produced in that arsenal, yes.

Q. Why could not he have been sent over to get the information about the Bren gun which the department required?—A. He could have been sent over had we had the money to go ahead with the production of machine guns, but I tell you at that time we did not have any money at all in our estimates for that purpose. We were trying to get information, I repeat, in the regular, customary way, a way that has resulted in very great benefits to Canada. We did not even have enough information in hand at that time to make a preliminary stab at the thing.

*By Mr. Factor:*

Q. You did not know whether Canadian production was possible?—A. No.

*By Mr. Green:*

Q. You say the regular customary way is to send a private manufacturer—  
Mr. BERCOVITCH: No, that is not what he said.

The WITNESS: May I answer that the usual customary method which I just described as resulting in very large savings to Canada has been to communicate in writing to the war office. The usual method has not been to send private industrialists. Private industrialists have gone to London on their own. We have not sent anybody; never sent anybody. I repeat that I have never been a party to sending—I will have to be careful about that—no, I believe that I never sent anybody and have never been a party to sending anybody, any private industrialist to London.

*By Mr. Bercovitch:*

Q. You did not send Major Hahn?—A. Certainly not.

*By Mr. Green:*

Q. The situation was that Hahn was authorized actually through the office of the Prime Minister of this country to get information for the Dominion of Canada on the manufacture of Bren guns by a private manufacturer, and I am asking why you did not send over Colonel Theriault of the Quebec arsenal or some other dominion official?—A. I have carefully explained why. Now may I make a few remarks in reply to Mr. Green's question. We did not send Major Hahn to England; he went because he wanted to go. He went, I am pretty sure, because I told him the Department of National Defence "has no business



to give you; we have encumbered our estimates; we have no free money with which to do anything." "What about all this talk of re-armament?" "The government of the United Kingdom, what about them?" "Why don't you go and see; I cannot do anything for you; if you are interested, go." I do not assure you that I even made that suggestion, but I might have, and if I didn't I should have. I have done it in many other cases. Now, he went on his own with no instructions. When he got there he found that he could not get into the Enfield plant, and I think I am right in that, Mr. Green. It is not a question of getting into the war office.

Q. Well, he could not get very far into any place.—A. He could not get in touch with the people who had the precise, detailed information which he wanted. When that became known, and it became known to Canada through the High Commissioner's office, the proper channel, steps were taken to see that he was given the opportunity of obtaining the information.

Mr. MACNEIL: He got that opportunity.

The WITNESS: My opinion is that that was a very fine thing to do, and I want to repeat that in many other cases similar attempts have been made to assist other Canadian industrialists. I do not recall that we have ever refused to assist any Canadian industrialist.

*By Mr. Green:*

Q. No, but have you ever asked any other Canadian industrialist to bring back for you the detailed information and plans about how any class of equipment is to be manufactured in Canada; in other words, had him act for you?

Mr. BERCOVITCH: Where is that in the evidence?

The WITNESS: Yes, sure we have. What about certain types of aircraft? If we have not asked them to, we have prayed to Providence that they would bring information back. We needed the information in Canada to prepare for the defence of the country. I will explain a bit further. Speaking for myself, without any reservation, and I think it applies to everybody in the Department of National Defence, we have been delighted, and I personally have gone out of my way as much as any human being can to put idle Canadian plants and men to work in that field in which I have a duty, the preparation for the defence of Canada. You will not mind if I say that, in my opinion, that is meritorious. It is meritorious from the defence point of view. It is of great value to us. Every new plant that opens up on armaments and munitions in this country is of assistance to us in that respect. It is also humane and surely patriotic to want to see plants that have been idle for years—

Mr. GREEN: Oh, certainly.

The WITNESS: —filled up with men working for women and children who have not had a living. It is good to see those people at work, and I am telling you that I have done my very best, and I want you to remember that, because, if you would only take that into consideration, the whole thing is as clear as anything.

*By Mr. Green:*

Q. You see, the cable from the Prime Minister's office is dated November 10, but on November 9 you had also cabled, as found on page 24 of the Davis report, "Please request Major Hahn now in England to communicate with me through your office in cypher his impression as to possibility of producing Bren gun in Canada. This is urgent and ask him to give details such as time required for delivery and estimated costs."—A. Certainly; we were pressing to get information from all possible sources, and it must be remembered that Hahn was in London. But that dispatch, I do not believe, resulted in the High Commissioner's cable to the Secretary of State for External Affairs. There was a coinci-

[Major-General L. R. LaFlèche.]

dence there, undoubtedly. From the departmental point of view we wanted to have everything that was available from all sources. He was one of them. We were trying to get information from the war office. He was there. Well, has he done anything? What about private industry? Is there a possibility of an order for private industry? We want to know it. About the same time, Major Hahn in London was cabled to see if he had information which would permit him to say whether it would be possible to make Bren guns in Canada.

Q. You see, the unfortunate result of it all is this: Hahn comes back to Canada in December, 1936, having obtained all this information and makes a detailed report to your department and is then in a position where he is streets ahead of any other manufacturer for getting a contract for the manufacture of these guns.

Mr. MCPHEE: What is unfortunate about that?

The WITNESS: Well, sir, it is not for me to make any remarks about the choice of the words or expressions you may wish to use, and I do not. But I do wish to record again the fact that other Canadian industrialists have brought back to Canada orders from the government of the United Kingdom and, as you say, are streets and miles ahead of anybody else; but it is due to a number of things, to their own initiative, to that indescribable thing, the ability to impress the service officers of the defence department of the government of the United Kingdom. On the other hand, there are all too many Canadian industrialists of good standing, capable men, who have tried to enter that market and have not succeeded.

Q. When you got this information from Hahn, the detailed information, did you then make any attempt to call in any other manufacturers in Canada?—A. No.

Q. Let them see whether or not they could make this Bren gun?—A. No. What I tried to do was to get confirmation of Major Hahn's report, and that is what anybody would do. Nobody in my opinion would take any other steps than to attempt to get the confirmation, yes or no, of those who controlled the situation, namely the war office.

*By Mr. Dupuis:*

Q. Is it not true, Major-General LaFlèche, that the investigation before the Royal Commission established the fact that the war office did not want to call tenders because they were anxious to have Bren guns?—A. That came very definitely to my personal attention a few months later, painfully to my attention in, I think, February, 1938.

*By Mr. Green:*

Q. A year and a half later?—A. Never mind the year and a half later. The long hiatus was a period of suspense, and painful suspense to the Department of National Defence. We could not move forward or backward or to either side until we knew what the war office was going to do. Now, I knew what the war office wanted to do in May, 1937, face to face definitely; I also knew why they could not take immediate action, but we will come to that.

Q. This four months delay was not caused by the war office, it was caused by the Department of External Affairs of Canada who were not sending messages to England. Is not that a fact?—A. If you will read the record before Mr. Commissioner Davis, you will find that your appreciation is correct, yes.

*By Mr. MacNeil:*

Q. Were other industrialists?—A. May I just say this: undoubtedly there were very excellent reasons for that delay, but I did not know that my correspondence was not being forwarded.

*By Mr. Green:*

Q. It was not the war office's fault, it was the fault of the Department of External Affairs?—A. I am not here to quarrel with anybody, but I want to help everybody and I want them to help me, as I am serious about all this.

*By Mr. MacNeil:*

Q. Were other industrialists— —A. May I just say this: there was a delay and it was an incomprehensible delay to me until I learned at a later date why. Of the individuals concerned, I think I suffered at least as much as anybody else, but after it all over, I am willing to say that they were undoubtedly seeking the very best interests of Canada.

*By Mr. Green:*

Q. A difference of outlook in the two departments?—A. Quite that, sir, quite right.

*By Mr. MacNeil:*

Q. You found it necessary to recommend that Major Hahn be given the status of a representative of the Canadian government in this particular, in order to get confidential information. That is correct, is it not?—A. If you read the evidence before the commission, it is all there, Mr. MacNeil.

*By Mr. McGeer:*

Q. He said "is that correct?"—A. Please let me explain. I laboured over that point; it is all as carefully set out as I can possibly do it.

*By Mr. MacNeil:*

Q. Were other industrialists visiting England seeking British government business given the same status in order to get confidential information?—A. Not in precisely the same way, no. Lest that may cause the wrong impression, other industrialists were given full support. Many other industrialists were given the full support of the Department of National Defence, the full unreserved support. Some succeeded and some did not.

Q. The point is whether they were made representatives of the Canadian government in any particular for any period in order to get confidential information?—A. They were not, but it is not unfair for me to ask you to permit me to add to that, that there was never to my knowledge any person in the particularly peculiar set of circumstances such as those in which Major Hahn found himself when he was in London,—that would be November, 1936.

*By Mr. Bercovitch:*

Q. In the first place, General LaFleche— —A. I want to add something more. I am sorry. I want to repeat that the department—every chance I had I have done my best, and I think nearly always succeeded, in helping to some extent every worthwhile man who went to England—they had to go on their own—to try to help him get business for Canada.

Q. As a matter of fact you did not have any knowledge of this cable that was sent by the external affairs department anyway? Am I right in that?—A. You are right.

Mr. GREEN: Which cable is that?

Mr. BERCOVITCH: The one appointing Hahn a so-called representative.

*By Mr. Green:*

Q. Your minister apparently did, because it says "have discussed matter with Minister of National Defence..."

Mr. GOLDING: You questioned the minister. Why ask him what the minister did?

[Major-General L. R. LaFlèche.]



The WITNESS: I should like to be very clear on this. I came back to it two or three times before Commissioner Davis. It was difficult for me to understand what had happened. I went over that record several times most carefully. While it all happened as carefully stated before Commissioner Davis, I want to say this, that in the circumstances I find it a very fine thing that Hahn was given the status he was given by the external affairs message sent to Canada House on the 10th November, known in the record as exhibit No. 99. It is a common-sense business like thing to do in my opinion.

*By Mr. McGeer:*

Q. But you were not aware of that message being sent personally?—A. I say that I was not, and nobody says that I was. Well, now, just a moment. This is a time to be meticulous, I think. I said already that I wish full and complete light to be placed on all of this business. You cannot get enough light on this thing here. The more light there is the more truth comes out and the more the beauties of the excellent transaction come out. You will find a note on exhibit 99. I have seen the original. It is in pencil, if I remember correctly, and it reads as follows; "Phoned to Colonel LaFleche November 13th"—initialed, "O.D.S." That is Dr. Skelton, the Under-Secretary of State for External Affairs. I happened to have good reason to know, however, that the gentleman who made that notation has no independent means of remembering what he did tell me over the 'phone. I say though, nevertheless, while I did not know of it being sent when it was sent I think he did a very good thing in sending it.

Q. You are very glad it was sent?—A. I am very glad it was sent.

*By Mr. MacInnis:*

Q. Did you make any inquiry in regard to that cablegram?—A. Which one, sir.

Q. To the cablegram by the Department of External Affairs?—A. The one I just referred to, exhibit 99?

Q. Yes. If you will refer to exhibit 82 I think you will find there your cable to Mr. Plaxton— —A. No.

Q. In reply—?—A. Might I explain exhibit No. 82. May I read it first? It is a cable sent by me to Hugh Plaxton, M.P. in care of "Dominion"—that means Canada House, London, England.

Q. Would you mind going back—

Mr. BERCOVITCH: Don't interrupt the witness.

Mr. MACINNIS: It is all right. I am interrupting the witness for a perfectly good reason and he will know if I am wrong.

Mr. BERCOVITCH: Do not interrupt the witness until he has concluded his sentence. You can't put a question and get a portion of an answer into the record and stop him.

Mr. MACINNIS: I didn't try to stop him either.

Mr. BERCOVITCH: When you interrupted you tried to stop him.

Mr. MACINNIS: No, I didn't. I want General LaFleche to read Mr. Plaxton's wire of May 1st. It is part of exhibit 82. Now then, it would be a lot easier, Mr. Bercovitch, if you allowed for somebody else being a little competent besides yourself.

Mr. BERCOVITCH: You are giving me credit. I thank you for the compliment. At the same time, it would have been better if you had withdrawn the last question before he proceeded to answer and put the one you are putting now.

Mr. MACINNIS: I am not up on legal procedure, I am not a lawyer.

Mr. BERCOVITCH: I will forgive you, as far as I am concerned. What the rest of the committee will do I do not know.

The WITNESS: Might I direct your attention and that of this committee to the fact that there are two documents which attached together are known as exhibit 82. I think that is right, Mr. MacInnis. On the 9th of October, 1936, Mr. Hugh Plaxton, M.P., who was in London, England, then cabled me as follows:—

Delayed pending receipt by High Commissioner of proper authority from External Affairs authorizing him to afford immediate and complete co-operation to Hahn Stop High Commissioner cabling his department to-day Stop Will you kindly communicate with External Affairs to expedite this Stop Regards.

Now, may I read into the record my reply of the same date? It is another portion of exhibit 82, and it is a copy of the cable I sent in reply to Mr. Hugh Plaxton, M.P., in care of Canada House, London. I sent it on November 9th, 1936:—

I first wrote External Affairs on twentieth October and am enquiring to-day requesting speedy action.

I did enquire of External Affairs. May I read that?

Q. Yes, all right.—A. Exhibit 83, which is my letter dated November 9th, 1936, sent by me to the Under-Secretary of State for External Affairs, Ottawa:—

May I refer to my secret letter dated the 20th of last month concerning the Bren light machine gun and in which I advised you that Major J. E. Hahn, D.S.O., M.C., was proceeding to England.

I am now in receipt of a telegram from London which indicates that the High Commissioner for Canada in Great Britain has received no communication on this subject.

May I enquire what has been done, please.

And to that I had a letter dated November 10th, 1936—

*By Mr. Brooks:*

Q. Before you leave that, General LaFlèche; where you say, I am in receipt of a telegram from London, you would be referring to Mr. Hugh Plaxton? —A. Precisely, yes. Then on the 10th day of November, 1936, the Under-Secretary for External Affairs wrote me in reply as follows:—

I have your letter of November 9th regarding your communication of October 20th in connection with the visit of Major Hahn to England for the purpose of obtaining information as to the manufacture in Canada of the Bren light machine gun.

I note that you are in receipt of a telegram from London which indicates that the High Commissioner for Canada in Great Britain has received no communication on this subject.

I think there must be some misunderstanding, as the statement or implication of the telegram is wholly incorrect. Your letter of October 20th was received in this department on the 21st and forwarded to the High Commissioner under covering letter of the same date. I was in London when it arrived. I know it was the intention of the High Commissioner's office to take immediate steps to place Major Hahn in touch with the appropriate United Kingdom authorities.

Yours sincerely,

O. D. SKELTON.

*By Mr. Brooks:*

Q. That refers to the war office, does it?—A. To the war office, who are the United Kingdom indicated authorities in such a matter.

[Major-General L. R. LaFlèche.]

Mr. FACTOR: It is six o'clock, Mr. Chairman.

The CHAIRMAN: Yes, it is six o'clock.

Mr. BERCOVITCH: And all is well.

The CHAIRMAN: Mr. Green intimated this afternoon, I think, that his party has a caucus in the morning; so I presume it will be in order if we adjourn until four o'clock to-morrow afternoon.

Mr. McGEER: Could we not sit at two o'clock to-morrow afternoon?

The CHAIRMAN: We could sit at two o'clock if it is agreeable to the committee.

Mr. GREEN: Three o'clock.

The CHAIRMAN: Shall we adjourn until three o'clock?

Mr. MACNEIL: Three-fifteen, just in order that we can get in and out of the chamber.

Mr. McGEER: We could adjourn and take fifteen minutes in the chamber if we wanted to. We could sit from two to three, then adjourn for fifteen minutes, come back and sit from three-fifteen on.

Mr. MACNEIL: I am quite willing to do that; but I doubt if we save any time, because everybody gets ragged.

Mr. McGEER: We have got to release these men as quickly as possible.

The CHAIRMAN: Shall we meet at two o'clock?

Mr. GREEN: Make it two-thirty.

The CHAIRMAN: All right. we will meet at two-thirty to-morrow afternoon. I wonder in the meantime if it would be possible to determine from the evidence to-day if we can finish with General LaFlèche to-morrow sometime?

Mr. FACTOR: In this connection, could I ask one question of General LaFlèche, in order to make some impression on the members?

The CHAIRMAN: Yes.

*By Mr. Factor:*

Q. General LaFlèche, have you a record of how many days you or the important officials of your department have spent since the investigation started before the Davis commission and including this investigation? I should really like to know that.—A. Mr. Chairman, I was fully engaged for a whole three months with hardly time to sign the most important, the most urgent of letters, few in number; to read during September, the painful days, the most disturbing secret despatches about the war situation in Europe. One day I had it that Great Britain was to be at war the next morning. We were then before Commissioner Davis. Following the full three months or more, I was engaged in straightening out the administration of the contract on the Bren, which had got painfully in arrears; and the war office, I had reason to believe—at least, we were greatly disturbed at the delay in producing this important weapon. Ever since then a considerable portion of my time has been taken up by this matter.

*By Mr. Ahearn:*

Q. Does that apply to your other officers, your principal officers?—A. It applies unfortunately to some of our officers, particularly the Master General of the Ordnance Branch officers whose work undoubtedly has suffered very, very greatly because of the necessity of giving time to this matter. After all, they are the technicians who are responsible for advising me, and I, then, the hon. the minister on matters of procurement of the means of defending Canada. I think that is all I want to say.

Mr. FACTOR: In view of that, Mr. Chairman, is there any way in which we can assist the department by discharging this witness as quickly as possible?



The WITNESS: I do not want to be discharged until this thing is quite clear.

Mr. FACTOR: It is the duty of the committee to assist the department in any way we can.

The WITNESS: Our honour is at stake.

The CHAIRMAN: That is what I had in mind, Mr. Factor, when I asked a few minutes ago if there was any way we could figure out definite questions or what we are trying to get at in order to release the witness sometime to-morrow.

Mr. FACTOR: It is up to Mr. Green to give us some idea of how long he will take.

Mr. GREEN: It is not up to me. I did not do most of the talking to-day; Mr. McGeer did most of it.

Mr. MACNEIL: We will do the best we can.

The CHAIRMAN: The committee will stand adjourned until to-morrow at 2.30 p.m.

(At 6.10 p.m. the committee adjourned to meet again at 2.30 p.m., Thursday, May 25, 1939.)







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SESSION 1939  
HOUSE OF COMMONS

(  
STANDING COMMITTEE  
ON  
PUBLIC ACCOUNTS  
)

MINUTES OF PROCEEDINGS AND EVIDENCE  
RESPECTING

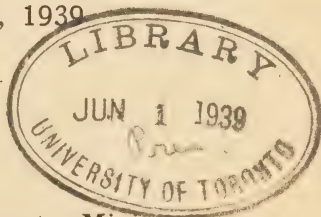
THE BREN MACHINE GUN  
AND OTHER ARMAMENT CONTRACTS

No. 23

THURSDAY, MAY 25, 1939

WITNESS:

Major-General L. R. LaFlèche, Deputy Minister,  
Department of National Defence



OTTAWA  
J. O. PATENAUDE, I.S.O.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1939



## MINUTES OF PROCEEDINGS

THURSDAY, May 25, 1939.

The Standing Committee on Public Accounts met at 2.30 o'clock p.m., the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Anderson, Bercovitch, Bertrand (*Laurier*), Brooks, Brown, Douglas, Factor, Ferland, Fleming, Francoeur, Fraser, Golding, Goulet, Green, MacInnis, MacNeil, McDonald (*Pontiac*), McGeer, McKinnon (*Kenora-Rainy River*), McPhee, Marshall, Needham, Patterson, Purdy, Rickard, Stewart, Stirling, Taylor (*Norfolk*), Thauvette, Wood.

*In attendance:* Major-General L. R. LaFleche, Deputy Minister, Department of National Defence.

At the request of Mr. McPhee:

*Ordered,*—That the Minutes of Evidence be amended at page 708, line 15, by inserting a comma and the words "Mr. Green," between the words "Then" and "you are receding from . . . ."

Examination of General LaFleche was continued.

At 3 o'clock p.m. the committee adjourned to permit members to attend in the House of Commons.

At 3.20 o'clock p.m. the committee resumed.

At 6 o'clock p.m. the committee adjourned until Friday, May 26, at 11.15 a.m.

A. L. BURGESS,

*Clerk of the Committee.*





## MINUTES OF EVIDENCE

### HOUSE OF COMMONS

Room 368, May 25, 1939.

The Standing Committee on Public Accounts met at 2.30 p.m. The Chairman, Mr. W. A. Fraser, presided.

The CHAIRMAN: Gentlemen, we shall come to order. We have a quorum now. Before proceeding with General LaFleche's evidence to-day, I should like to make a reference to the meeting of your steering committee of last evening, and I hope my remarks will be found consistent with the intention of the members of that committee. As soon as I could get a copy of the evidence taken yesterday I checked it over carefully and assumed, tentatively, the responsibility of deleting anything from the record that seemed to me to be perhaps a bit unparliamentary. I shall read, if you will permit me to do so, just two or three lines of General LaFleche's evidence in which he said:—

. . . But a public servant still has the right to stand up for people who have been the nation's friends, and that is what I am doing. I am defying—I am throwing that in the teeth of all the liars . . .

I have deleted that word and substituted the word "those." Further down in his evidence he said:—

. . . who have sold out Canada's defence and the defence of the empire.

I have changed that and used the phraseology "by men who have apparently no regard for Canada's defence."

May I add that we have held the stenographic record; it is not yet in the printer's hands and I am submitting these changes or corrections in the record to the committee as a whole.

Mr. MACNEIL: I wish you would make it clear that that is not being done with the consent of the steering committee.

The CHAIRMAN: Absolutely.

Mr. GREEN: That was not dealt with by the steering committee.

The CHAIRMAN: Absolutely. If you will permit me to go a little further, may I say I have tried to act on what was the impression of the steering committee. I have made these changes, and in submitting them to you I hope also that that is consistent with my impression of the steering committee. Probably General LaFleche would wish to comment on these changes, or perhaps he might have something to add to what I have said, and it can then be discussed by the committee as a whole.

Mr. MACNEIL: May I ask if these changes were made at the request of General LaFleche?

The CHAIRMAN: I made them on my own responsibility. That is why I am submitting them in the way I am, and also impressing upon you that the changes have not yet gone to the printer.

Mr. BERCOVITCH: Does General LaFleche wish to say anything?

Major-General L. R. LAFLECHE, Deputy Minister, Department of National Defence, recalled.

The WITNESS: Mr. Chairman, you have indicated that yesterday I may have used unparliamentary terms. To me that means that I may have used

terms which did not show due and to be expected courtesy to any persons who may have been in my mind. I thank you for directing my attention to the possibility of my falling into the error of being discourteous to anybody, and in that respect I appreciate very much what you have done. While I am here I should very much like to make very clear that yesterday I specifically excluded from the limits of my remarks all members of this committee and all members of the House of Commons and of the Senate. The public reports this morning, perhaps naturally, do not emphasize my specific exclusion of you and those other gentlemen being thus mentioned, and I do not remember whether the published report made it plain that my assurance on that point was accepted by the gentlemen of this committee yesterday afternoon.

Mr. MACNEIL: I have just this comment to make. The record as it was transcribed was published verbatim in the daily press this morning. I am not quite sure that there is any point in changing the record now, unless General LaFleche specifically retracts any particular terms. I think it is the custom in the house, and committees of the house, that when a term is used which is unparliamentary or contrary to rules an unconditional withdrawal is made. Now, if we have the indication from General LaFleche that he withdraws any term unconditionally, and if he does say it publicly, there is no objection to his statement going in the record. But I am not clear as to what good service would be served by publicly changing the record now, as it has been broadcast throughout the country, unless the General takes that attitude.

Mr. BERCOVITCH: On the other hand Mr. Chairman, you have read certain corrections which have been submitted to the committee in the presence of General LaFleche, and General LaFleche thanked you very properly for calling these inaccuracies or those changes that you suggest to his attention. I take it from that he acquiesces and consents to the changes that have been made. That is equivalent to a withdrawal.

Mr. MACNEIL: May I draw to Mr. Bercovitch's attention that it is not a case of the record. As I understand it there is no dispute as to the accuracy of the transcript.

Mr. BERCOVITCH: Quite right.

Mr. MACNEIL: It is a question of whether General LaFleche thinks unparliamentary terms should appear in the record without some modification.

Mr. FACTOR: He has already explained to us very fully that that reference had no application either to members of this committee or to any members of the House of Commons or Senate.

Mr. MACNEIL: That is now on the record.

Mr. FACTOR: Yes, and with the correction of the record by the chairman I think we have things in pretty fair shape.

Mr. Chairman, last night when we adjourned I asked General LaFleche—

The CHAIRMAN: May I interrupt the hon. member for a moment until I get this one thing clear in my mind. Gentlemen, there seems to be perhaps a lack of understanding in the minds of the members as to the intention of General LaFleche regarding the words he used. Mr. Bercovitch and Mr. MacNeil seem to have a different opinion as to whether General LaFleche has withdrawn those words or whether he has not. Have you anything to add to that, Mr. MacNeil?

Mr. MACNEIL: My suggestion is that as the record was published verbatim it evidently was given to the press by some official attached to this committee and published verbatim. There is no question about its accuracy. I am in agreement with Mr. Bercovitch in that regard. I suggest the proper way to correct the record in any respect is by a statement to-day by General LaFleche which will be placed in our record and which will be taken in conjunction with the record of yesterday.

[Major-General L. R. LaFleche.]



Mr. BERTRAND: He made the statement that his remarks did not apply to any member here or in the House of Commons or in the Senate.

Mr. MACNEIL: He did so yesterday. I suggest the record stand as published, Mr. Chairman, together with General LaFleche's remarks to-day.

The CHAIRMAN: There are only two ways of handling it, it seems to me. One is to let the record stand with General LaFleche's remarks to-day, or the other is to not only delete the two words but to delete the added remarks of the General at this meeting.

Mr. McGEER: There is a practice pretty well known—I mean, none of us are so perfect and none of us are so good that we can always be held responsible for things that might be said in a moment of unrestrained effort. I think it has been pretty common practice throughout parliamentary procedure that where words which do not reflect the kind of language that one usually likes to have in committees there has never been any objection to changing them where the spirit of modification indicated by the chairman and General LaFleche is shown.

Mr. BERTRAND: Is there any complaint about this?

Mr. BERCOVITCH: The chairman has submitted these changes and I think it is with the consent and approval of General LaFleche. I think the record would be very much improved if those changes were made. It certainly would not do any harm to change it.

Mr. GREEN: I think it is entirely up to General LaFleche. I do not think the committee has any right to change the record. I think if General LaFleche wishes to have that explanation made, that is his responsibility.

Mr. BERCOVITCH: He has already consented. He said he acquiesced in the remarks of the chairman, or in the corrections as suggested by the chairman.

Mr. McGEER: There seems to be some doubt as to whether General LaFleche would like to have these changes made.

The WITNESS: Read the record. May I say I have shown no hesitation in the desire that any discourteous act of which I may be responsible may be corrected.

Mr. McGEER: I am sure of that.

The WITNESS: I even thanked the chairman for indicating to me that I might have been discourteous. I have suffered enough from discourtesy to realize its importance. It is something very much like freedom; you do not know its value until it is placed in jeopardy.

An Hon. MEMBER: Let us proceed.

Mr. TAYLOR: I move that those corrections be made.

The CHAIRMAN: I take it that is the wish of the committee that we leave the original record as it is.

Mr. BERCOVITCH: No.

Mr. McGEER: There is a motion that the record be changed.

Mr. TAYLOR: I moved that the corrections as suggested by the chairman be made.

Mr. FACTOR: Carried.

Mr. MACNEIL: Mr. Chairman, I must insist on my objection. I think the objection of one or several members of the committee is sufficient to maintain you in your action to let the record stand. There is, of course, the privilege extended to committees and to witnesses in committees that if they desire to correct any inaccuracy, they may do so. But there is no suggestion of any inaccuracy. It is a question of whether or not General LaFleche withdraws certain terms or certain epithets applied to certain individuals. I do not understand that his withdrawal is unconditional. He has put a statement on record.

I am glad that he has done so. Now the record should stand. But surely it is amazing that this committee should attempt to expunge from the record statements which were made and that were published verbatim in the press. We are open to serious criticism if action of that sort is taken.

The CHAIRMAN: Gentlemen, we adopted the policy at the beginning of this investigation that nothing would be deleted from the record.

Mr. McGEER: When did we do that?

The CHAIRMAN: I am afraid I assumed the responsibility. I remember on a number of occasions I ruled to that effect, that we do not delete anything from the record. We are confronted with this instance where I have submitted for the approval of the committee the deleting of two or three words from the record, and given my reasons for it. The witness, General LaFleche, has made his comments and his statement on what I have said, and his viewpoint on the use of those words. I suggest that we let the whole record stand the way it is, because if we delete one thing, we have got to delete others.

Mr. MACNEIL: I think that is the practice of the house.

The CHAIRMAN: It is on record. The chairman's remarks are on the record and the witness's remarks are on the record.

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Just let the record stand as it is and proceed.

Mr. MCPHEE: Mr. Chairman, in checking over the evidence, at page 708, I notice an interjection by myself. Mr. Green was examining in connection with the Inglis plant at the time the contract was entered into, and the question was:

"Q. The trouble was that it had become disestablished in the meantime.—A. And that is a condition which applied to many other industries."

Then there is my interjection: "Then you are receding from your former position when you said it was a broken down, old boiler factory." My interjection was at the end of the question. Then the minister answered. The way it is here, it would appear that my interjection had reference to what the minister had said. What my interjection had reference to was the question.

Mr. GREEN: I think that is clear.

Mr. MCPHEE: I do not want the minister to feel that my interjection had reference to his answer.

The CHAIRMAN: That is a correction of the record?

Mr. MCPHEE: Yes.

The CHAIRMAN: I believe Mr. Factor wished to ask some questions.

Mr. FACTOR: Mr. Chairman, last night I was questioning General LaFleche. I wish to finish up now.

Mr. GREEN: How do you want that changed?

Mr. MCPHEE: The interjection coming in before the answer to the minister.

Mr. GREEN: Well, it didn't come actually.

Mr. MCPHEE: It must have, otherwise there is no sense in it.

Mr. GREEN: If you wish you could put my name in there.

Mr. MCPHEE: I could do that.

Mr. GREEN: I do not think it is clear otherwise.

Mr. MCPHEE: No.

Mr. GREEN: As a matter of fact I never said it was a broken down old boiler factory.

Mr. MCPHEE: Well, you heard it said.

Mr. GREEN: Yes, I heard it said many times, but I did not say it, I was careful not to.

[Major-General L. R. LaFleche.]

Mr. FACTOR: Last night when we adjourned I was asking Colonel LaFleche in connection with the amount of time spent by him and officials of his department in connection with the different inquiries into this Bren gun matter, and I think he told us that they had spent—how many months was it on the part of your officials? It was quite a number of months, wasn't it?

The WITNESS: Yes, I said that last night.

Mr. FACTOR: Will you tell me, what was the effect so far as the defence preparations which are your responsibility and that of your department are concerned?

Mr. MACINNIS: Mr. Chairman, on a point of order: I am going to raise a point of order. I do not think this is a proper question to ask or that it has any relation to the investigation we are undertaking. If anyone is going to take the position that this investigation has deleterious effects, then some of us will take the position that it had some very beneficial effects. I wish just to make that clear. I do not think there is any point to it.

The WITNESS: Mr. Chairman, may I attempt to answer Mr. Factor's question?

Mr. FACTOR: Mr. Chairman, I think this committee and the public ought to know the effect of the many months spent by General LaFleche and the officials of his department in connection with these inquiries so far as our defence preparations are concerned. It is a matter of vital concern to the country, particularly when the first inquiry took place at a most serious time in world affairs; and I think I am entitled to know from General LaFleche what was the result of his spending all these months on these inquiries.

Mr. BROWN: There were two years to consider.

Mr. MCPHEE: If you had been around here yesterday you would have heard all that explained.

The WITNESS: In reply to Mr. Factor's question, Mr. Chairman; the time we spent on what we term the Bren gun inquiry, as I explained last night had the following effect, the loss of time had the following effect: Let me begin by saying that at the end of last August when the article appeared, we had heard of it just a few days before it did appear in publication, my department in comparison with the previous fiscal year was at least three months ahead of the previous year on the then current fiscal year's work, I mean particularly by way of proceeding with our defence program, placing orders and letting contracts. That quick pace could not be kept up with a number of officials all the time in one way or another—

The CHAIRMAN: Gentlemen, I am sorry, I have to interrupt the witness, but the understanding last night was that we would adjourn at 3 o'clock for I think it was 15 minutes so that some of the hon. members might attend in the chamber. Is that your wish?

Mr. GOLDING: Go ahead.

The CHAIRMAN: It is understood then that we will resume at 3.15 o'clock.

The committee adjourned at 3 o'clock p.m. to permit members to attend in the House of Commons.



At 3.20 p.m. the committee resumed.

The CHAIRMAN: We have a quorum again, gentlemen.

Mr. MACNEIL: General LaFleche was dealing with Mr. Factor's question.

The WITNESS: I was saying that in August, as compared with the previous fiscal year, my department was in respect to placing business at least three or four months ahead of the previous fiscal year. I was saying that we lost that. Incidentally, I might say that the John Inglis company were at the end of August about three months ahead of their schedule. I am very glad to say that, as I understand it, they have made up at least part of that lost time.

While time is a very important factor in a fiscal year, and particularly in a rearmament program, there has been in this case perhaps a greater loss than the actual loss of time. I mean by that, Canada cannot with her own resources alone attain that necessary degree of self-sufficiency in the production of armaments and munitions in this country which I desire and which anyone who has studied the matter desires.

In August last there were very excellent prospects of being able to obtain the assistance of the Government of the United Kingdom as purchasers of Canadian made armaments and munitions, and in that connection, in my opinion, has been the sorest blow of all. Either we are able to produce our own armaments in this country should we be engaged in a war, or we must necessarily depend upon the importation of armaments and munitions from abroad, from outside of Canada. That would, in my opinion, be a very unhealthy and a very dangerous state of affairs. So when it was apparent that this trouble would undoubtedly force others to hold up their decisions about coming to Canada for certain equipment and munitions, it was a very disturbing realization of a fear. There were at that time, last August, indications that there would be placed in Canada British orders for a number of pieces of armament which had never been manufactured in Canada and which in time of war we would have to have in this country if we were to defend our country.

There was also the further most important point that if we were able to produce these many different things in Canada, we could be of real and very great assistance to any other government to whom the Canadian government would permit the exportation of these Canadian-made pieces of equipment and munitions.

That, gentlemen, has been held up for at least seven months. I am very happy to say that indications within the last few weeks have become as promising as they were last August. But I cannot answer the question put to me before recess, what has been the adverse result in the matter of preparation for defence, because nobody can say what would have been accomplished in this direction with the aid of British government orders placed in Canada had this hiatus not been occasioned in the way well known to all of us.

*By Mr. MacNeil:*

Q. General LaFleche, do you suggest that the policies of the department, apart from military and naval secrets, should not be made the matter of public inquiry, if considered necessary—A. I beg your pardon.

Q. Do you suggest that the policies of your department, apart from military and naval secrets, should not be open to inquiry?—A. I have never said that.

Q. Well, you admit, of course, that nothing occurred from March or February, 1936, until late in 1938, to interfere with your plans with regard to the manufacture of Bren guns?—A. What do you mean by that?

Q. There was no public discussion.—A. There was no public discussion, no.

Q. The contract was executed.—A. The contract was executed.

Q. Production plans were under way?—A. Yes, and well in advance of schedule.

[Major-General L. R. LaFleche.]

Q. Subsequently to that were any considerable number of the officers of your department retained from their duties for any serious length of time?—A. Yes, the whole administration back to the Master-General of the Ordnance Branch have been disturbed, seriously disturbed, since last August.

Q. Is your department so organized that the absence, even for a part of that time, would seriously disorganize their activities?—A. It is not so organized but that the absence and the continued absence of so many key men would not disturb it.

Q. Well, I suggest that if your department is so organized to meet a minor emergency would it not be overwhelmingly disorganized with a still greater emergency?—A. Such as?

Q. Such as war or casualties resulting from war.—A. I am afraid you pay us too much honour. Those at national defence headquarters would not ordinarily be victims of the normal causes of casualties.

Q. Well, not only casualties but there would be absences on the post of duty apart from the department.—A. They would all be working in the proper atmosphere which permits people to go ahead and do their work, and that has not been the case in the last eight months.

Q. I suggest to you that other departments have participated in public inquiries and have released the key men for such inquiries without serious dislocation of their work.—A. I do not know what has been the fate of other departments, but I re-affirm that this inquiry has had a most serious retarding effect upon my department, and it has had the perhaps still more serious adverse effect, as I have described, in relation to the possibilities of having our re-armament program assisted by the placing in this country of orders by the government of the United Kingdom.

*By Mr. Bertrand:*

Q. When you say "this inquiry," you do not mean this particular inquiry?—A. Oh, no, not this particular inquiry. This is a duty placed upon you gentlemen. I am speaking of the Davis inquiry.

*By Mr. Green:*

Q. The parliamentary inquiry has not affected your department at all, has it?—A. It has affected us, of course, but nothing like it did before.

Q. The parliamentary inquiry really affects you very little?—A. Oh, no, not very little. I am certainly not trying to magnify the difficulties created by the necessity of numbers of people coming before you gentlemen, but then I do not think it is quite right for you to mention that the effect is of a minor character.

*By Mr. MacNeil:*

Q. General LaFleche, you are aware that questions were asked in the House prior to the execution of the contract with regard to Major Hahn's activities? You were aware of that?—A. I am aware of what?

Q. That questions were asked in the House prior to the execution of the contract with respect to Major Hahn's activities.—A. I remember there were questions, yes.

Q. Is it not true that those questions are prepared in your office under your signature?—A. They are prepared in the department. Each branch having anything to do with the matter sends in their remarks and they are consolidated and placed before me for signature.

Q. It is very seldom that the minister would in any way alter an answer to a question prepared for presentation to the House?—A. I would say ordinarily, unless the minister knew to the contrary or had reason to believe that something had been set down in error, he would accept it as given to him.

Q. Did it occur to you that possibly greater frankness earlier in the proceedings, or earlier in these negotiations, would have obviated the outcome which

you described as being unpleasant?—A. I do not recall that there was any lack of frankness, as you put it.

Q. Well, did it not occur to you that greater detail might have been given and that you might have secured co-operation from all groups in the House with regard to your plans?—A. I never had that thought and I never realized and do not realize at this moment that anything was done in preparing replies to questions put in the House which lacked any degree of frankness or exactness or completeness.

Q. The question was asked, General LaFleche, as you are well aware, whether or not Major Hahn was proceeding to England in the interests of the department with respect to Bren guns?—A. Yes.

Q. The question referred to certain specific years.—A. I remember—

Q. Could the department not have said at that time, although not in the years specified, he did proceed subsequently or prior to that date and plans were well under way with regard to the production of Bren guns.—A. The reply—I looked into that at the time of the Davis inquiry and here it is: As far as that reply was concerned it was not known in the department that Major Hahn had been given the status or the official status that was given to him.

Q. It was known that he was acting as your confidential adviser with regard to a very important item?—A. What was that?

Q. It was known that he was acting as your confidential adviser by reason of the proposals he submitted to the department in December, 1936; that he was acting in the rôle of a confidential adviser to the department?—A. Just a moment. In the rôle of confidential adviser to the department? No, I cannot agree that he was recognized in the department as being in the rôle of a confidential adviser.

Q. Referring to the evidence here, General LaFleche, you testified that he had secured information for the department of great value. Secondly, that he had submitted certain draft proposals which brought your views definitely into focus on the problem, and that he had been employed as a means of getting information of great value. Those facts were known at the time the question was asked in the House; is that not correct?—A. They were not known in the sense that you have it in your mind, Mr. MacNeil, and if the reporter will read that back I shall try to explain at greater length what I believe.

Q. I will accept your statement.—A. No, I want to be fully and painfully exact on this point.

Reporter read: "Referring to the evidence here, General LaFleche, you testified that he had secured information for the department of great value."

The WITNESS: I was aware that he had secured information of great value to the department. I was aware of that. Carry on, now.

Reporter read: "Secondly, that he had submitted certain draft proposals which brought your views definitely into focus on the problem."

The WITNESS: Just a minute, now. I agree to that, yes.

Reporter read: "And that he had been employed as a means of getting information of great value. Those facts were known at the time the questions were asked in the house. Is that not correct?"

The WITNESS: That he had been employed? I do not get your whole meaning there?

*By Mr. MacNeil:*

Q. I did not mean employed in the sense of getting remuneration. I meant that he was utilized.—A. All right; utilized on whose initiative? He was not utilized by the department originally. He went to England on his own.

*By Mr. Douglas:*

Q. But he was your agent?—A. He chose to go to England originally because he wished to go there. He was not sent. He wanted to go.

[Major-General L. R. LaFleche.]



*By Mr. Bercovitch:*

Q. And he was under no obligation?—A. As I have said, as many, many others have desired to go.

Q. And he was under no obligation to furnish you with any information?—A. No. He was under no obligation, and we were under no obligation.

Q. Precisely.

*By Mr. MacNeil:*

Q. My point is that questions were asked late in the session of 1937?—A. Yes. I forget the date, but I am sure you are right.

Q. About that time?—A. Yes.

Q. At that time you were relying on him to a very great extent with regard to the completion of your plans?—A. At the end of 1937 he was the one person known to be in a position to help out in the achievement of what I have already described as the ideal situation in which Canada or any other nation might find itself when it prepares for the defence of its country.

Q. Might I ask if there was any good reason, in your opinion, why there could not have been greater frankness towards the end of the session of 1937 when such questions were being asked, which unquestionably in my opinion would have eliminated subsequent public inquiries?—A. I am very sorry if you think there was lack of frankness. If there were lack of frankness, then I want to assure you and all other gentlemen that there was no thought of holding anything within the Department of National Defence. But the war office had an interest in the matter of securing Canadian-made Bren guns. I sincerely suggest to you that if you believe there was lack of frankness or if there were lack of frankness, it could have been due only to that. May I go on one more step? I am glad to have this out.

Mr. BERTRAND: General LaFleche, what would be—

Mr. GREEN: Let him finish.

Mr. BERCOVITCH: Yes, let him get through.

The WITNESS: May I proceed

Mr. BERCOVITCH: Yes, go on, Major.

*By Mr. MacNeil:*

Q. Was there any objection to that, General LaFleche? I am not accusing the department.—A. May I say one more word, and then I would be happy indeed to attempt to reply to other questions. In the department I believe I am right in saying that everybody was happy that there had been—that this arrangement whereby Canadian-made guns could be procured had been made this last year. There was no desire to hold back anything. I assure you of that. All of us were very, very satisfied at this progress made in the rearmament program. Now I think you wanted to put another question.

Q. Was there any valid objection for stating exactly at that time, "This is what Major Hahn is doing, and this is what we propose to do"?—A. I would like very much to have the exact questions and we could go over them. I would like that very much.

Q. I am not accusing the department of improperly answering those questions. I am saying they might have taken that opportunity.—A. It is rather hard to speak about that without seeing or hearing the exact wording of the questions.

*By Mr. Bercovitch:*

Q. And in addition, General LaFleche, Major Hahn was in no way connected with the department in any official manner whatsoever?—A. Well, he had been from the 10th of November until he reported to my minister in 1936.

The CHAIRMAN: Have you any idea what date it was?

Mr. MACNEIL: I will get it. Mr. Douglas has gone to get it.

The WITNESS: I would like to go over that question.

Mr. MACNEIL: My point, Mr. Chairman, in asking the question is, quite sincerely, that I think all the way through, out of our experience, we can quite realize that frankness, the frank exchange of ideas and information, would obviate the situation which General LaFleche complains of.

The WITNESS: Suppose I am permitted, Mr. Chairman, so far as I may to agree with what Mr. MacNeil says. But there is this ever-present obstacle in matters having to do with the preparations for the defence—the secrecy of it. It is true that secrecy, in view of the scattering of what we held secret to the four winds, is something to make one laugh at now, something to take lightly; but there is no war office in the world which does not hold the idea that they cannot tell everything to the public, not because of the public, but because that information might reach ears for which it is not intended and ears which should not hear such things.

*By Mr. Wood:*

Q. General LaFleche, I should like to have your opinion as to the exposing, as it were, of a good deal of this information that has been exposed or had to be exposed by this committee. In your opinion, what is the effect it might have on the war office in England in placing orders with industry in this company?—A. This committee is blameless in that respect. At the worst, or at the most, it can only bring out again that which has been scattered to the four winds. But I believed, when before the commissioner's inquiry, to bring out in public or even to risk bringing out in public, for instance, the fact that so many guns could be manufactured in a certain plant in England and, furthermore, that a certain number could be made there by a certain date, was most disquieting to everybody concerned. I do not know what would have happened if such things had been done in states where the reaction against such indiscriminate disclosures is much severer than here or in Great Britain.

Q. What I had in mind was this: Do you believe that, owing to the fact that we, as Canadians, as a nation, have established this particular code of ethics, it would militate against industry here in securing orders from Great Britain for armament purposes?—A. Well, sir, I have reason to believe that the intelligence section of the Imperial army were right on the tail of this whole business; and any one who knows what that means, will realize that, first of all, such an interest, if there was an interest—and I believe there was—was for the purpose, first, of guarding what was considered war secrets; and that would be frowned upon as much as anything can be frowned upon. That would have its effect and was, I fear for the time being, one of the factors for this hiatus in looking towards Canada for the supply of further armaments and munitions. I fear that they had in mind: "Canada has let go to the four winds, to possible enemies, to the war offices of the world, of all countries, what we hold secret. Are we safe in dealing with these people again?" I was never told that, but nobody can know how things are done and not have had that thought.

*By Mr. Bertrand:*

Q. If you do not know to what extent it did harm, you have a good idea that it did in some way?—A. I am certain that it had serious and adverse effects upon our planning and upon the planning of Great Britain.

*By Mr. Green:*

Q. In your opinion, General LaFleche, there should have been no Bren gun inquiry?—A. Oh, I would not say that.

[Major-General L. R. LaFleche.]

Q. That is what it amounts to.—A. I would not say that. It has been indicated to me this afternoon that yesterday I used certain terms which might have been discourteous, and I am sorry about that. I do not mean to be discourteous, however earnest one might be. I am not decrying the fact that there was a Bren gun inquiry; but I invite you gentlemen to remember the circumstances—the circumstances that lead up to the inquiry and perhaps the circumstances during the inquiry at the beginning.

*By Mr. Brooks:*

Q. Were you afraid that England who, at that time, was afraid of a crisis and was rearming as quickly as possible, would drop any armaments or orders for any armaments she might give to Canada on account of the inquiry that was occurring?—A. Well, I cannot say what Great Britain would do. I can repeat this, that in August, 1938, to my personal knowledge, certain gentlemen in the war office were in communication with me and I was in communication with them towards enlarging Canadian production of armaments and munitions; and I know as a fact that that dropped definitely the moment this thing started. I will go further than that—I am glad to tell you this, in a way—well, I will not say that. I am glad that within the last few weeks a marked renewal of that interest in Canada by the defence departments of Great Britain has been displayed, to my personal knowledge; but I could not say a moment ago what had been lost—what Canada and Great Britain had lost in the meantime.

*By Mr. MacNeil:*

Q. Is it not true that during the Davis inquiry government counsel, in co-operation with other counsel, took every precaution to protect the interests of the war office?—A. They did their very best. But you will remember that a commissioner with a commission must proceed, as you gentlemen are under the obligation—if I might put it that way—of proceeding. That is realized by all concerned.

*By Mr. Bertrand:*

Q. The Imperial government might have waited from the start of the publishing of this Colonel Drew article, and they might now have decided on renewing their contract with you?—A. I was going to say something like that a moment ago. I had something like that in mind a moment ago, that this renewed interest in Canada could be described by any of you gentlemen kindly disposed to do so, as proof that my department and the personnel thereof have come through this with flying colours.

*By Mr. Brown:*

Q. General, would you suggest that your department is so, we might say, inefficient that it could not obtain the same terms from the British government as a private individual like Major Hahn did?—A. I admit no inefficiency. I claim that we have been extremely efficient in this Bren gun arrangement and I make the further claim that there is no contract as favourable to the taxpayers of Canada anywhere to be found.

Q. No. Why could not the department have obtained the same terms with the British War Office as Major Hahn did?

Mr. BERCOVITCH: If you had been here yesterday you would have heard the answer to that.

Mr. McGEER: That has already been answered.

Mr. BROWN: I can ask it again.

Mr. GREEN: Do you mean to say that any member of this committee can stay out and not read the record and then say because he has not been here we have to go over the whole thing again?



Mr. BROWN: Yes.

Mr. McGEER: I submit that that would be extremely out of order.

The WITNESS: If I am permitted, I would like to answer any and all questions, or try to.

Mr. BERCOVITCH: There is a limit to our patience too.

Mr. McGEER: In any event, we did have before us a very important matter.

Mr. BROWN: I missed two meetings, that is all I missed.

Mr. McGEER: Mr. MacNeil wants to make a correction with respect to the page which he gave in error.

Mr. MACNEIL: I was in error, it was on June 22, 1938, and not in 1937.

Mr. McGEER: And I think, Mr. Chairman, in view of the importance of that issue of the disclosures of the Department of National Defence and lack of frankness on the part of the Department of National Defence with the House of Commons in the matter of answering questions of members, that we might spend a few moments dealing with that very situation.

Now, General LaFleche, I would like—

Mr. BROWN: Just a minute, I asked a question there and there is no reason in the world why you should stand up and keep on talking when I am trying to get an answer to my question. Sit down.

Mr. McGEER: I thought we were on the one issue.

Mr. BROWN: Mr. Chairman, I asked a question.

Mr. GREEN: We would like a ruling from you, Mr. Brown asked a question.

Mr. McGEER: I am going to ask you to rule that these questions should not be put over and over again.

The CHAIRMAN: Gentlemen, the matter which it is now desired to discuss was more or less left over in order that the record might be procured for the convenience of Mr. MacNeil, Mr. McGeer and the witness. I suggest that we dispose of this matter before we go on to something else.

Mr. BROWN: I am simply asking a question and Mr. McGeer kept on talking, and took the floor away from me. That is all it is, and I simply want an answer.

Mr. GREEN: Let him answer the question.

Mr. BERCOVITCH: We had it all yesterday.

Mr. McGEER: Will you kindly sit down just a moment? Now, Mr. Brown, will you ask your question again and we will get an answer.

Mr. BERCOVITCH: I am going to make an objection again, I am telling you, Mr. Chairman.

Mr. BROWN: I simply asked the witness, would he suggest that his department was so inefficient that it could not obtain the same terms in the manufacture of the Bren gun from the British department that Major Hahn did.

Mr. BERCOVITCH: I object to the question, Mr. Chairman, because we had that all yesterday, and it was gone into very fully.

Mr. McGEER: In any event, the answer is no.

Mr. BROWN: What is the answer? Let us have the answer.

The WITNESS: I repeat again that I reject any thought or suggestion of any such thing; and then I shall go on to explain to Mr. Brown that there has already been most clearly disclosed before this committee, as it had been most thoroughly disclosed before the Davis commission, that my department could not manufacture Bren guns in its own arsenal, as it was necessary for the purpose of producing economically to have a supplementary order; and then,

[Major-General L. R. LaFleche.]

certain of our experts did say, and it is clearly in your record, that in their opinion production in publicly owned plants is not proving to be as economical as in privately owned plants. I think, sir, you will find in the record all these things most clearly set out several times.

*By Mr. Brown:*

Q. Well, you paid some \$10,000 for administration expenses in your department in supervising the Bren gun manufacture, and as the witness prior to you told us the department will still be paying out money supervising.—A. I do not quite get your meaning; if you mean, inspection, I think I can give you a reply.

Q. As I understand it, Captain Jolley is still taking an active part in the manufacture of the Bren gun?—A. Quite right, but may I remind you—

Q. And you are still paying his expenses?—A. Now, let me reply.

Q. Sure.—A. You will see upon reading the contract that the entire operation of the contract is under the direct control of the Department of National Defence, and why; because we intend and we have the power under the contract to control all of the cost factors, and the British have similar interests which they will see according to the terms of their agreement with the John Inglis Co. Limited. Now, for that purpose, to control costs, requires of course, in a cost-plus contract or in any other production scheme, the expenditure of money to pay the controlling personnel. You are quite right there.

Mr. BROWN: Well, this cost was never included in the cost price of the gun.

Mr. BERCOVITCH: We haven't got the cost price of the gun yet.

Mr. GREEN: And we will not be able to get it until the last gun has been paid for.

The WITNESS: It is a cost-plus contract. I may be so familiar with it that I may think everyone else is. You will find that cost-plus contracts have been resorted to in a great many places, and in Canada, when there was no other known means of controlling the cost of the article you wanted to get. Now then, please read the contract; please take cognizance of these things.

The CHAIRMAN: Gentlemen, may I ask you to respect the committee's feeling as a whole in this particular connection. I do not want to rule that any question should not be asked of any witness, but I do think in fairness to the other members of the committee that any member of the committee should accept, when he is told that that question was fully answered by the same witness the preceding day, he should be satisfied to read the reply in the record.

Mr. GREEN: What Mr. Brown has asked was not brought out, the cost of government supervision, the cost of Captain Jolley; was not included.

The CHAIRMAN: I think all we need to do is to be fair with one another.

Mr. McGEER: In any event, Captain Jolley was examined on all of that.

*By Mr. McGeer:*

Q. Now, Mr. Chairman, if I may continue with the matter that Mr. MacNeil brought up; and to get it clearly before the committee I am going to ask leave to refer to Hansard of February 6, 1939, at page 723, quoting from a point beginning near the bottom of the page in the first column, and the member speaking is the member for Winnipeg North Centre (Mr. Woodsworth):

Then came rumours that there was something very strange about the Bren gun contracts. And I asked these questions, answered in the house on June 22:

1. Was Major James Hahn appointed by the Canadian government to go to England in 1937 and 1938 to make a survey of munitions productions for the purpose of advising the Canadian government?
2. If so, were his expenses paid by the Canadian Government?
3. What were the terms of Major Hahn's employment?

4. At what date did Major Hahn cease to be employed by the Canadian government to advise on munitions and begin negotiating for production by him of Bren machine guns?

Mr. Mackenzie (Vancouver):

1. No.

2, 3 and 4. Answered by 1.

It seems to me that the minister hides behind technicalities. Apparently I should have included in my question the year 1936."

Now, you remember those questions?—A. Yes, I remember those questions were asked and answered; yes.

*By Mr. MacNeil:*

Q. Were the answers prepared in your office?—A. They were prepared in my department, sent to me and handed to the minister who laid them before the house.

*By Mr. McGeer:*

Q. What I want to get at is the procedure in dealing with questions of this kind. They are asked in the house. How do they come to your department?—A. They come to the department either through the reading of Hansard or more formally through the Department of the Secretary of State.

Q. I see, and to whom do they come?—A. They go to a certain clerk in the department.

Q. What is his name?—A. Mr. Maingot. It used to be Mr. Lewis, but Mr. Lewis left the department, retired to pension, and Mr. Maingot now looks after that work.

Q. What is Mr. Maingot's position in the department?—A. He has no official title.

Q. I see. A. He has taken over a substantial part of the work formerly done by the secretary of the department.

Q. And who prepares the answers?—A. The answers are prepared by that branch or those branches of the department concerned.

Q. And when the answers are prepared to whom do they go?—A. They are sent then to Mr. Maingot who consolidates them.

Q. Yes?—A. And if an answer comes back from the branch directly concerned that does not appear satisfactory, or that appears to need further information he sends it back or takes it back and gets that further information, as may be desired, or as may be required.

Q. When the answers to the questions are finally settled in Mr. Maingot's office to whom do they go then?—A. To me.

Q. To you, and what do you do with them?—A. I look them over carefully, and if I am satisfied I send them on; if I am not satisfied I send them back or call somebody in and say to him, well are you sure about this or are you not sure about that?

Q. And you sign them after they are finally settled, and when you are sure that they are correct, I take it?—A. Exactly.

Q. What do you do with them?—A. I give them to the minister, unless it is a case which should go back through the Secretary of State, where next they are given to the minister—but in any case the reply is the same.

Q. Now, with regard to these questions to which I have referred, in Hansard of February 6th, was that the procedure that was followed here?—A. I am quite sure it was. I do not recall distinctly. You asked for a yes or no answer. There is no reason—I believe it was done exactly in the usual fashion—I would say that it was so done—

Q. These questions have been under very substantial discussion and of course the question went on up to you; did the minister have anything to do with the preparation of these answers?—A. No, he did not prepare the answers.

[Major-General L. R. LaFlèche.]



Q. Were the answers as prepared by your department and handed to the minister the answers that were given to the House of Commons?—A. Yes—I would have to check that.

Q. I mean, I did read that on the record here?—A. Do you think I remember every question that comes before me—I will say yes.

Q. I know, but he says afterwards he did not know—I mean these questions had been under such general discussion that you probably would have some sort of an idea—A. I beg your pardon, I never checked the carbon copy with Hansard, but I would say yes, the replies to, or the answers, are precisely as I submitted to the minister.

Q. Now, the answers are correct, I take it?—A. The answers are correct. Now you are talking of a point I did look into. They are correct.

Q. Now, these answers to questions 1, 2, 3 and 4: question 1, no; 2, 3 and 4, answered by 1; and the answer was that Major Hahn was not in England in 1937 and 1938 as the agent of the government?—A. Quite right.

Q. Now, he apparently was in England acting under the authority of a representative of the government in 1936?—A. For a few weeks, yes, sir.

Q. And the reason for that, as I understand it, was that the information he wished to secure could only be secured from the war office by a representative of the government?—A. Quite right.

Q. There is no reason why your officials could not have gone over there and got the same information as a representative of the government?—A. Quite right.

Q. There was no reason for concealing the fact that Major Hahn was in England getting information with reference to Bren gun manufacture as the representative of the government, was there?—A. Certainly not.

Q. There was no secret about it?

Mr. BROWN: No one ever said there was.

The WITNESS: There was no secret about it.

*By Mr. McGeer:*

Q. It was done in the ordinary official routine method?—A. It was.

Q. By way of recommendation from the Department of National Defence to the Department of External Affairs and from External Affairs to the High Commissioner's office?—A. It was done through that channel and in that way.

Q. Not by word of mouth, but by actual correspondence, and recorded telegraphic communication?—A. Quite right, sir.

Q. And in turn communicated—will my friend just keep quiet for a minute and bide his time—and in turn communicated officially from the high commissioner's office to the war office in London?—A. That is the way it was done.

Q. And had anyone asked the question as to whether or not Major Hahn was in England securing information in the representative capacity of the Canadian government the answer would have been yes, would it not?—A. It would have been, I am sure. There was no reason to deny it or to hide it.

Mr. BROWN: Has anyone ever suggested anything of that kind? You are simply holding up the committee.

Mr. BERTRAND: Mr. Green and Mr. MacNeil spoke something like that.

Mr. MACNEIL: Oh, no.

Mr. GREEN: That is just camouflage.

Mr. McGEER: There is no camouflage about it. The remark that it is camouflaged—we are getting to question 3—it is very unfortunate—

Hon. Mr. STEWART: I suggest that the member is now asking hypothetical questions and I think he knows very well—

Mr. McGEER: If I have been guilty of that offence it is, perhaps, because of the influence of the environment. I am very glad to take the correction, because I hope it will not be continued after I leave here. Now, question 3: what were the terms of Major Hahn's employment?—A. There could be no terms.

Q. Was there any employment of Major Hahn at any time?—A. There was not.

Q. Now, the fourth question is: what date did Major Hahn cease to be employed by the Canadian government?—A. And the answer was?

Q. It was answered by No. 1, which was—A. No. Read that question again?

Q. At what date did Major Hahn cease to be employed by the Canadian government to advise on munitions and begin negotiating for production by him of Bren machine guns?—A. It was properly answered—no.

Mr. BROWN: It is an odd thing your paying all his expenses if he was not employed by you.

The WITNESS: I am afraid you are under a misapprehension, Mr. Brown; no expenses have been paid.

Mr. BROWN: They are going to be paid.

Mr. DOUGLAS: Will the General say they are not going to be paid?

The WITNESS: No, I will not say that. I cannot say.

*By Mr. McGeer:*

Q. Major Hahn gave evidence and very particularly said he went there at his own expense and did not intend to be paid. However, he said that afterwards when the results turned out that there was a saving of several hundred thousand dollars, or something over one million dollars, and the terms included that he did, by agreement, arrange for payment of preliminary expenses. But there is no proof that in 1936 he had any contract of employment or that there was any employment existing.

Mr. BROWN: He may have had assurances.

Mr. McGEER: Now, we are asking whether he had any employment or assurances. We have examined Major Hahn and we are now examining this witness.

Mr. BROWN: Major Hahn says he expects to be paid.

Mr. McGEER: Even suppose he does expect to be paid, that does not prove he had any contract of employment or promise for employment in 1936. Now, what the hon. member said is confusing a fair consideration of the correctness of answers given by a minister of the crown to a member of parliament. There is that deeper antecedent to those questions, and I think every member of this committee should be ready and willing to see that a minister is properly dealt with whether a question of his answering openly and honestly to a member of the House of Commons or not. Now, that is the point we are dealing with: were those answers correct?

Mr. BERCOVITCH: They were correct.

Mr. DOUGLAS: Technically, yes.

Mr. BERCOVITCH: In every sense. You could not answer them in any other way.

The WITNESS: Those answers are absolutely correct according to the records of my department. Come down and see.

Mr. McGEER: And the minister of national defence has been charged, I think, openly, with dishonesty in those answers.

Some Hon. MEMBERS: No, no.

[Major-General L. R. LaFlèche.]

Mr. BERCOVITCH: Yes, one member said they were poisonously correct, whatever that means. I do not know what poisonously correct means; in any event, that is on hansard.

*By Mr. McGeer:*

Q. In any event, as far as the Department of National Defence is concerned these answers were honestly given to the questions presented?—A. Honestly, fully and correctly given.

Q. They were prepared in the department of defence in the ordinary routine channel?—A. They were.

Q. They were handed to the minister?—A. In the usual customary way, yes.

Q. And in the form that they were prepared for him they were given to the House of Commons?—A. Yes.

Mr. BERCOVITCH: And they were true.

Mr. McGEER: And they were true.

The WITNESS: Yes, they were true.

*By Mr. Needham:*

Q. Would those answers have been the same had Mr. Woodsworth mentioned 1936?—A. That is a very fair—I should not comment—will you repeat that?

Q. If he had, in asking those questions, inserted the year 1936, would the answers have been the same as they were?—A. The answers as prepared by the department at the time would have been precisely the same had Mr. Woodsworth mentioned 1936.

Mr. McGEER: And that is for the reason that Major Hahn was never in the employ of the government, as I understand.

Mr. GREEN: He was just a representative.

Mr. McGEER: Surely, Mr. Chairman, every member—every legal member of this committee is able to distinguish between a man going to England to get information and finding that when he is there he cannot get that information unless he is permitted to go in a representative capacity of the Canadian government.

Mr. GREEN: He was just a representative.

Mr. McGEER: Yes, just a representative. Can there be any suggestion that a man who is a representative in that case could be in the employ of the government?

Mr. BROWN: No. He is being paid for it just the same.

Mr. McGEER: No, he was not being paid for it at that time and, as a matter of fact, Major Hahn's evidence was to the effect that when he was in London getting that information he was not aware that he was given that information as representative of the Canadian government. Now, how could you think of a contract—and I understand you are a lawyer—how could you have a contract of agency and a contract of employment?

Mr. BROWN: He wasted an awful lot of time drawing up his bill if he wasn't going to get paid for it.

Mr. McGEER: As a lawyer, you know that is a common experience of bills. I think the tragedy in this must indicate that they were drawn up, not by Hahn, but by some lawyer.

Mr. BERCOVITCH: As one lawyer to another.

Mr. McGEER: And now, Mr. Chairman, could you have employment in the form of a contract of agency when one of the contracting parties was not aware that he was there in any such capacity?



Mr. GOLDING: Mr. Chairman, Major Hahn stated definitely here that he went over to the old country for the purpose of trying to secure contracts for munitions at his own expense. Now, when he got over there he became interested in the idea of trying to get a contract from the British government. He did this at his own expense. He told them—what is the matter? Am I not permitted to discuss this?

Mr. MACNEIL: Go ahead.

Mr. BROWN: You are not permitted to give evidence.

Mr. MACNEIL: What is your question going to be when you are through?

Mr. GOLDING: I am coming to it.

*By Mr. Golding:*

Q. If Major Hahn had not been instrumental in persuading the British government or the war office to give him a contract from the government, would your government have been under any obligation in any way, shape or form to pay him anything?

Mr. BROWN: Of course, that is hypothetical.

Mr. McGEER: Leave him alone.

The WITNESS: We would have been under no obligation whatsoever to pay him anything.

Mr. GOLDING: That is the whole story.

Mr. GREEN: No, it is one-tenth of the story.

Mr. GOLDING: Major Hahn stated definitely, after he had been instrumental in securing that contract, and after he believed he had saved the country thousands of dollars, then he thought he was entitled to some of those preliminary expenses.

Mr. MCPHEE: It is not his belief. Mr. Elliot gave evidence in this matter.

*By Hon. Mr. Stewart:*

Q. Now, we are through with this subject of the questions, and may I revert to the statement made by the deputy minister, General LaFleche, that in his opinion the investigation had possibly delayed the securing by Canada or in Canada of orders for munitions from the British government. Were you of that opinion just before the Davis inquiry was started?—A. I cannot quite gather what you have in mind.

Q. I am making a perfectly clear statement. As I understand it you have stated that in your opinion the result of the enquiry by the Davis commission had the effect, the possible effect, not the certain effect, not the proven, not the demonstrated effect, but the possible effect of delaying the securing in Canada of orders for armaments from Great Britain. That is your statement, is it not?—A. My statement is that I am in no doubt—my statement is that I am certain that the casting of doubt and suspicion brought on the enquiry and things that happened during the enquiry before Mr. Commissioner Davis, did definitely retard our rearmament program, and did definitely hold up the placing in Canada of further orders by the government of the United Kingdom.

Q. Thank you. That is a complete statement of your position.—A. That is my firm belief.

Q. That is an expression of opinion or belief?—A. That is my belief, sir.

Q. And that is all it is. It cannot be anything else, can it? If you have any proof, let us have it.—A. I see.

Q. Have you any proof otherwise than your honest, firm conviction that that has been the result?—A. You want proof of my statement?

Q. I am asking you if you have proof?—A. Yes, I have what is to me the most convincing proof possible.

[Major-General L. R. LaFleche.]

Q. What is it?—A. Mr. Chairman, I must ask you this now, whether I can be asked to divulge these further communications which I have received and which are marked "secret." I would tell this honourable gentleman with very much pleasure, and I would like very much to convince him and to gain his assistance in helping out in these matters. I could show him personally what I assure him would be convincing proof of what I said. But I ask, Mr. Chairman, is it right to throw to the winds again these secret pieces of information?

Q. I am not going to ask the deputy minister to show me anything personally that he cannot show to any member of this committee.—A. Then, Mr. Chairman, I am sorry, but I do not think the honourable gentleman has received my offer in the spirit in which I made it.

Q. Oh, well, now— —A. Well, I certainly believe that, because you must realize that I am under some obligation to keep these things to myself.

Q. That is all you have to say. If you cannot disclose it, just say so.—A. I say so, but I say why. They are secret. They cover a number of articles; they are of very great interest to the preparation of defence for Canada and of Great Britain, and of extreme interest to Canadian industry and to the labourers of this country and to the financial situation of this country. But I would like to show them to the honourable gentleman.

Q. I did not ask you to go into details, I just asked a general question.—A. Yes, but I cannot leave this in doubt. These are most important things.

Q. I am not asking you to leave it in doubt. I want to follow this up with another question, a question that I did ask. Were you of that opinion at the time this investigation was started? That was the question I asked you.

Mr. BERCOVITCH: You mean the Davis inquiry?

*By Hon. Mr. Stewart:*

Q. Yes, the Davis inquiry.—A. I certainly feared the possibility that it would tie us up, but I had nothing to indicate the severity of the inquiry, the throwing to the winds of secret information, and what did turn out to be the potent factors of disruption of the arrangements that had been going on swimmingly. I did not know how long the inquiry was going to last. I did not know how the inquiry would be carried out. I did not know the suspicion that would be aroused. Those were unknown things. I had perhaps an innocent conception of what would take place, if you like, that certain people would earnestly try to find out the truth.

Q. Am I right in saying that at the inception of this investigation you had no anxiety whatever as to the result of the investigation?—A. As to the result of the investigation, never for a moment. I knew the truth about this. I knew what I wanted; that the truth should come out dispassionately, and no false publicity given in this country. But I was sadly disillusioned as the inquiry proceeded.

Q. Following that up, did your minister share the same opinion?—A. I do not know, sir, whether he shared it or not. I cannot speak for him.

Q. I refer to the provisions of the order in council, or the commission, for which, of course, you will admit the government of the day must admit responsibility?—A. Quite right, sir.

Q. They launched this investigation; they must have had all the information that you had then and decided that an investigation was desirable. I am reading one paragraph of this commission:

The Prime Minister is of opinion that a full and complete inquiry should be set on foot with the least possible delay in order that the public may be fully informed of the circumstances surrounding the making of this contract and the terms thereof.

Do you agree that that was desirable at that time?—A. I had nothing to say about that. But will you not please read either before or after that where

they say what caused the government to arrive at that opinion? Don't you realize that here are persons in the country taken up by the press—

Q. That is the reason for it.—A. Just a minute. Casting a doubt on the honesty of people and the government of the country.

Q. Do not argue with me.—A. I am not arguing with you.

Q. You are entering into an argument.—A. It is not an argument, it is trying to bring out the true, full and complete reasons.

Q. It is all there.—A. Then read it all, please, Mr. Stewart.

Q. Everybody has read it.—A. You are only reading part of it.

Q. I am reading the conclusions, and that is what we want to start with.

Mr. McGEER: Surely, Mr. Chairman, the basis of the honourable gentleman's question is not fair to this witness, because he takes a portion of an order in council which came into being not as an initiative *de novo* act of the government but as an act consequent upon the publication of an article in a Canadian magazine which circulated throughout the whole of the Dominion and which placed every member of the Department of National Defence, the British war office and all those associated with the contract under a broad innuendo charge of corruption and malpractice.

Mr. BROWN: No corruption.

Hon. Mr. STEWART: Just wait.

Mr. McPHEE: Perhaps we had better get the heading of the article on the record: "Canada's armament mystery."

Hon. Mr. STEWART: I will read the whole thing if it will help to make this a little calmer and a little more consecutive. I am reading from the first page of the Davis commission report which was made to the Governor in Council, and it begins as follows:

MAY IT PLEASE YOUR EXCELLENCY:

A royal commission was issued to the undersigned under date of September 7, 1938, pursuant to the authority of the following Order in Council (P.C. 2251) passed on the said 7th day of September, 1938:

One gentleman says "take it as read," after I have been insisting that it should be read.

The committee of the Privy Council have had before them a report dated September 7, 1938, from the Right Honourable W. L. Mackenzie King, the Prime Minister, representing that a certain Canadian periodical publication, dated September 1, 1938, contained a general article under the caption "Canada's Armament Mystery," purporting to have been prepared by Lieut.-Col. George A. Drew.

The Prime Minister observes that the author criticized some of the provisions of a certain contract executed on the 31st day of March, 1938, and tabled in parliament on the 29th day of June, 1938, made between His Majesty the King represented by the Honourable the Minister of National Defence for Canada and John Inglis Co. Limited, whereby the company undertook to furnish to His Majesty a certain supply of Bren machine guns for the use of the defence forces of Canada; numerous allegations relating to the negotiation, the terms of the contract and transactions thereunder were made by the author as a result of which considerable public interest has since been evinced.

The Prime Minister is of opinion that a full and complete inquiry should be set on foot with the least possible delay in order that the public may be fully informed of the circumstances surrounding the making of this contract and the terms thereof.

The Prime Minister, therefore, recommends that the Honourable Mr. Justice Henry Hague Davis, a judge of the Supreme Court of Canada,

[Major-General L. R. LaFlèche.]



be appointed a commissioner under Part I of the Inquiries Act to inquire fully into the preliminary discussions and negotiations leading up to and the completion of the said contract and into the shareholdings and the transactions, if any, in the shares or securities of the said company and the connection or activities, if any, of any member of the House of Commons in the discussions and negotiations leading up to the said contract or in the affairs of the said company or in the sale of shares or securities of the said company and generally to inquire fully into all matters relating to the said contract and to the affairs of the said company and to the steps taken to protect the public interest; and to report upon the same.

Do I undersand that up to that point you would say everything was all right; no objection?—A. What do you mean?

Q. No prejudice to the department?—A. What do you mean by "everything all right"?

Q. I say no prejudice to the department could follow from the investigation?—A. Certainly; the very publication started the whole thing.

Q. But in regard to the holding of the investigation, do you say that that was not in the interests of the department?—A. I do not think we understand each other.

Q. Oh, yes, I think we do.—A. No, I do not think we do. In the interests of the department—I have said before that the whole inquiry severely damaged and prejudiced the defence position of Canada and of the United Kingdom.

Q. Don't you think?—A. Who started the inquiry? Why don't you get at that?

Q. Do you not think that under those circumstances an investigation was the proper course to adopt?—A. That is for the government to decide.

Q. Do you not think it was proper?—A. I would say this, that when anybody's honour is impinged he must take action to clear it up if he can. The honour of a man or the honour of a government is comparable in its delicacy to a charge against the virtue of a woman which cannot be passed by. I believe it, Mr. Stewart, and so do you in your heart of hearts.

Q. I say there was the beginning of the investigation.—A. I would say that there was no other course. There would have been no investigation had certain people not found fit to do as they did in August, 1938.

Q. And no investigation if some people had not done in 1936 what they did?—A. That is for you and this committee to say. Do you want my opinion on it?

Q. You are making the statement.—A. Do you want my opinion on it?

Q. That is the beginning of it all. Now, I understood you to say—A. The beginning of it were these unfounded innuendoes. For what purpose they were made, I do not know.

Mr. BERTRAND: Are we under the terms of the reference, Mr. Chairman?

*By Hon. Mr. Stewart:*

Q. You have said, I believe, that as a result of this investigation the relationship of the government of Canada, your department, towards the war department has been restored to its original position.—A. As a result of this investigation?

Q. At the present time. You said you were back where you were but that you lost some time?

Mr. BERCOVITCH: He did not say it was the result of the investigation.

The WITNESS: That is what has happened, but I did not say that it happened because of this investigation.

*By Hon. Mr. Stewart:*

Q. No, but it has happened notwithstanding the investigation?—A. Yes, and I think I said there was some reason for some kindly gentlemen to point

with some degree of pride to those who have been under the hammer since last August, because, in the meantime, not only has the commissioner been over the actions of my department, but other people elsewhere in this world have followed these proceedings very closely, and yet the same people have come back again to the same people here on some of these subjects which were being worked out mutually by the two parties last August.

Q. Then at the present time the condition as between your department and the war office is satisfactory?—A. At the present time, yes, of course. But I have said several times to-day—I have asked the question: What has been the cost to both in the meantime?

Mr. McDONALD: That is the important thing.

*By Hon. Mr. Stewart:*

Q. That is a matter of opinion, is it not? Can you tell us?—A. I cannot tell you exactly.

Q. Give us that as near as you can.—A. I know the adverse effect has been great.

Q. Tell us as near as you can what it is? Be as exact as you can.—A. To do that, I would have to give the information I mentioned a moment ago as being secret and which I eagerly offered to show you personally.

Q. I do not ask you to give secrets, but the results.—A. Let us say the production of a number of different pieces of equipment or munitions that have never yet been manufactured in Canada which are required for our defence, greater quantities of which are required to arm the Imperial forces. Last August it looked as though we would be able to arrange between the two governments, or at least the war office and the Department of National Defence of Canada, that those things be made in Canada, each sharing in the cost, the capital cost particularly. That fell down. We have done nothing for seven or eight months—eight or nine months. When you multiply that—when I tell you that it is not only one article but it is a number of them, with others to follow that if we can come to a mutually agreeable understanding, you can see what it means; and when we deal with that, we are not dealing with millions, we are dealing with what to the ordinary person, including myself, are immense sums of money which are hardly understandable. Then I ask what has been the effect on Canadian industry, Canadian labour and the preparation for the defences of the two countries? I say it cannot be estimated but it can certainly be said that the adverse effect has been very, very great.

Q. Can you say that any of these negotiations would have come to a final and favourable conclusion that would have resulted in the awarding of any of these contracts?—A. I can; because we are now, after this terrible hiatus, coming together again in respect to some of the subjects which we were discussing then and now others.

Q. You are picking it up now?—A. And I say there can still be more.

Q. You are picking it up now where you left off, we will say, in August last?—A. That is a very fair way of putting it.

Q. That is a very fair way of putting it?—A. Yes.

Q. And from now on, if the results are good—and you have reason to anticipate they will be—there is simply that loss of time. Is that a fair way of putting it?—A. Yes, that is very fair. That loss of time when everything stopped. What could have been done in that time? Because during that time, let us say that they have made other arrangements.

Mr. BERTRAND: Yes; contracts placed elsewhere.

*By Hon. Mr. Stewart:*

Q. Ultimately, if the effect of all this has been as you contend, General LaFleche—as you think the result of this inquiry has been—to restore confidence in your department, do you not think the ultimate effect will be good?

[Major-General L. R. LaFleche.]

Mr. McGEER: In other words, if you knock a man down and then pick him up, it is good that you knocked him down because you picked him up. That may be all right for vaudeville, but not here.

The WITNESS: You cannot say the ultimate effect will be good because you cannot repair the harm done in the meantime; you cannot replace that which has been lost.

*By Hon. Mr. Stewart:*

Q. I am speaking of the ultimate effect— —A. Let us say rather that those responsible should never have cast doubts.

Q. You are getting away back.—A. No, I am not; I am getting back to the truth.

Q. I am not saying you are not. But you are not answering the question. You are not sticking to the question.—A. Give me credit for attempting to answer you completely.

Mr. BERTRAND: They are not answerable.

Hon. Mr. STEWART: Not the way you would like to have them.

*By Hon. Mr. Stewart:*

Q. If the effect of this is as you contend—to exculpate and remove any shadow of suspicion from the Department of National Defence—then the ultimate effect must be good. Is that not right?—A. I would like very much to agree with you, but permit me to put it as I would put it. If the effects of this investigation are as they must be, you term it exculpation—

Q. That is what you have said. You said that the department had come through with flying colours and that everything was all right.

Mr. McGEER: He is not through.

*By Hon. Mr. Stewart:*

Q. I know; I am only taking it on your own ground.—A. And if you gentlemen of this committee are a party to removing an evil for which you were not responsible, then you gentlemen of this committee will have done everything within your power to remedy this terrible blow at defence.

Q. But you have taken the position that what has been disclosed has justified and vindicated yourself, the officials of the department and the Department of National Defence?—A. Of course.

Q. You think so?—A. Of course.

Q. I then ask one simple question in conclusion. If that be so, will you not admit that the result of this all will be good and will improve your standing and the standing of your department with the war office in Great Britain?—A. Mr. Chairman, I think that is a very, very fair question and one for which I am personally grateful to Mr. Stewart. I will say that that having been accomplished, the situation will have been remedied as best it lies in the power of those responsible for doing so.

*By Mr. McGeer:*

Q. You would say, General LaFleche, that if the charges had never been made against the department, the department could have gone on with the high standing it had with the war office before the charges were made?—A. Yes; and I will add to that, had that been the case, I have every reason to believe that we would have had the string of plants producing armaments and equipment which I mentioned to my interdepartmental committee well over a year ago. They would now be blooming, operating and working; and our labouring men would be working in them.



*By Mr. Bertrand:*

Q. That can all be summed up in a few words; if a man is charged with murder and acquitted, there is always something that sticks.—A. I hope not.

Q. That is, in the opinion of people who did not thoroughly study the case.—A. It is a terrible thing.

*By Mr. Green:*

Q. General LaFleche, you have complained about the delay caused by the inquiry. Is it not fair to say that if the Canadian government had gone to the Imperial government in an open and frank way and tried to arrange, with the two governments co-operating together, for the manufacture of 12,000 Bren guns, without shoving this man up as an intermediary, there would—

Mr. McDONALD: Oh, pshaw!

Mr. GREEN: Who said that?

Mr. McDONALD: I said it.

Mr. GREEN: I ask that it be withdrawn.

Mr. McDONALD: I will not withdraw it. Mr. Chairman, I have attended every meeting of this committee but one.

An Hon. MEMBER: Sit down.

Mr. McDONALD: I will not sit down. I am speaking to a question of privilege.

Mr. BROWN: That is not a question of privilege.

Mr. McDONALD: I questioned the right of Mr. Stewart here a while ago, as a member of this committee, when he was not present at all the meetings, to ask for the repetition of evidence in this committee. I have missed no meetings but one; and I mean what I said a while ago.

Mr. MACNEIL: Withdraw.

Mr. GREEN: Mr. Chairman, no member who is a gentleman at all has any right to make a remark like that, telling another member to shut up.

Mr. McDONALD: "Oh, pshaw" is what I said, as you will know if there is nothing the matter with your hearing.

Mr. McGEER: He said, "Oh, pshaw."

Mr. GREEN: I am sorry, then.

Mr. McGEER: Mr. Green thought he said, "Oh, shut up." He did not say that.

Mr. BROWN: It certainly sounded like it.

Mr. McGEER: Yes; but that was a mistake.

Mr. GREEN: I only drew attention to it because I thought he said, "Oh, shut up."

Mr. McGEER: This hon. gentleman is one of the most courteous and quiet of all the members of the committee.

Mr. GREEN: I was surprised that he would make a remark like that. I thought he said, "shut up."

Mr. McDONALD: I did not. I said, "Oh, pshaw."

Mr. GREEN: You can say that all you like. I do not mind that.

The CHAIRMAN: Order, gentlemen. The hon. gentleman has the floor.

Mr. GREEN: I wonder if I could have that question read.

The CHAIRMAN: That happened a long time ago, Mr. Green.

Mr. GREEN: All right, I will put it again.

[Major-General L. R. LaFleche.]

*By Mr. Green:*

Q. You were complaining about the delay caused by the inquiry. If the Canadian government—and frankly I think if you had been friendly, you would have done it yourself—if the Canadian government had gone to the British government in an open and frank way and tried to make an arrangement between the two governments to produce between them in Canada—whether by private manufacture or by public manufacture or any other way—12,000 Bren guns, without shoving in as an intermediary this Major Hahn, then there would have been no inquiry at all, and there would have been no delay?

Mr. BERCOVITCH: Just a minute. That is a very improper question.

Mr. McGEER: No, no.

Mr. BROWN: What is improper about it?

Mr. BERTRAND: To put the word “friendly” into the question.

Mr. BERCOVITCH: I do not think that is the main objection.

Mr. GREEN: I should like an answer. In explanation of that, may I say I am not blaming General LaFleche for this particular point at all. He told us yesterday that there has been difficulty with the Department of External Affairs, that for four months his messages to the war office were short-circuited and stopped by the Department of External Affairs. It is clear on the record—we have had it read time and time again—that the Department of External Affairs did not want to have contracts placed in Canada for the manufacture of munitions.

Mr. McGEER: No, that is not on the record. That is not right.

Mr. GREEN: We will read the exhibit.

Mr. McGEER: I challenge the honourable gentleman's statement.

Mr. MACNEIL: Read Dr. Skelton's letter.

Mr. GREEN: That is all I am referring to.

Mr. McGEER: There is nothing there saying that they did not want contracts.

Mr. GOLDING: Mr. Chairman, Mr. Green puts words into General LaFleche's mouth.

The WITNESS: Not yet.

Mr. GOLDING: He said Major LaFleche told us that they were short-circuited. He never said anything about them being short-circuited.

Mr. GREEN: Yes, he did. Where is exhibit 134? I think that explains the whole thing.

Mr. McGEER: Let us have the exhibit.

Mr. GREEN: This is dated the 23rd of April, 1937, and is a letter to Col. LaFleche from Dr. Skelton, in reply to several that General LaFleche had written to Dr. Skelton. Have you got that, General LaFleche?

The WITNESS: Is that exhibit 134?

Mr. GREEN: Yes.

The WITNESS: I have it, sir.

Mr. GREEN: It reads:

With reference to the suggestion that the High Commissioner should be asked to indicate to the government of the United Kingdom that the Canadian government would be pleased to have the government of the United Kingdom place orders for the Bren gun with the company organized by Major Hahn and his associates, I was informed by the Prime

Minister after council yesterday that the question had been considered, and it was not thought advisable at present to request the government of the United Kingdom to place in Canada munitions orders of this type.

Yours sincerely,

O. D. SKELTON.

The WITNESS: May I make a comment on that? I believe I told Mr. Commissioner Davis that as far as I knew I could not have had that letter before I left Canada. I left Canada in the early morning, at around 7 o'clock in the morning of the 24th of April. I had worked until 6 o'clock in the morning. I don't believe I had that letter before I left here. However, I mean to say, whatever is said in this letter was generally known to me in England.

Mr. GREEN: That was obviously the policy of the government—

Mr. BERCOVITCH: Let him answer.

The WITNESS: But in effect, whatever may have been the policy of the government, speaking of practical results, I do not believe that that policy placed any insurmountable obstacle in my path. In fact, I know it did not, because we got the Bren gun here in co-operation with the British—I say we got, I did, if you like—or I was instrumental anyway, helpful, later in getting the British government to place aircraft orders in Canada.

Mr. McGEER: I think, before this goes on any further I want to deal with this matter.

Mr. BERCOVITCH: Just a moment, the witness is answering a question.

The WITNESS: Let me answer the question.

Mr. McGEER: If you will pardon me, General LaFleche, I am raising a point of privilege with the chairman. Now, Mr. Chairman, this discussion arose when I stated that I challenged the correctness of the honourable member, Mr. Green, when he made the statement that the attitude of the government was against having munitions manufactured in Canada for the British War Office; and I said that was not true and asked him to produce proof for it. He then produced exhibit 134.

Mr. MACNEIL: Let him finish.

Mr. BROWN: What is your point of order?

Mr. McGEER: My point of order is that exhibit 134 is not a correct answer to or justification for the statement of the hon. member (Mr. Green).

Mr. GREEN: That is not a point of order at all. Let the General finish the answer to the question.

Mr. BROWN: Yes, you make your speech afterwards.

Mr. MACNEIL: Mr. Chairman, we must have some reciprocal arrangements; if one gentleman starts a line of questions we should not interrupt him, Mr. McGeer.

Mr. McGEER: General LaFleche was being examined as to what this letter meant.

Mr. BERCOVITCH: Why don't you let him finish his answer?

Mr. MACNEIL: General LaFleche was fair.

Mr. BERCOVITCH: Surely Mr. McGeer has the right to assert that that is not the import of the document?

Mr. McGEER: What I say is that it is not a correct answer, and is no proof of what was stated.

Mr. BROWN: You have no right to decide whether it is correct or not.

Mr. McGEER: I was submitting it to the committee.

[Major-General L. R. LaFleche.]



The CHAIRMAN: I think, Mr. McGeer, if you would just let the General answer—

Mr. McGEER: What I am pointing out is this, this question comes up not on any answer of the General's but on interpretation of this letter.

Mr. GREEN: You may interpret it afterwards if you want to.

Mr. McGEER: I want the committee to interpret it.

Mr. GREEN: I am prepared to put my own interpretation on it.

The CHAIRMAN: Let General LaFleche finish his answer.

The WITNESS: I think I have stated that the policy, if one may term it such, mentioned in exhibit 134 did not place any insurmountable obstacle in my path while in Europe; and I would like to suggest to Mr. Green that there was no shoving in of anybody.

Mr. GREEN: Well, letting him drift in; I will put it that way.

Mr. McGEER: I do not see any reason why you should accept that.

The WITNESS: And I think I also should remind the committee, sir, that the government stated in London in May of 1937 that the government would welcome complementary orders placed by the government of the United Kingdom in Canada with Canadian industries.

Mr. GREEN: You mean that the members of the government who went to the Imperial conference, after this letter was written in 1937, changed their policy?

The WITNESS: I do not mean that at all, sir. I am trying to give facts and let others interpret them. I got along I believe successfully; someone has been good enough to say remarkably successfully; with the assistance of the government declaration that they would welcome supplementary orders to Canada; the fact is things went along extremely well.

Mr. GREEN: Well, this letter of April 23rd, 1937, clearly expresses the government policy as you had followed it up to that time.

The WITNESS: No, not quite. You will remember—

Mr. McGEER: Would it not be just as well to deal with that letter. I understood there were a few words to complete the answer to a question.

The WITNESS: I suggest, sir, that you can get a better source of information about your question as to whether this properly expressed the policy of the government—the government itself can say whether this properly expressed their view or not. I may tell you it did not stop me.

Mr. McGEER: As a matter of fact, this letter is just to the contrary of what the hon. member suggested, and if hon. members on the committee will look at the letter, they will see it; "With reference to the suggestion that the High Commissioner should be asked to indicate to the government of the United Kingdom that the Canadian government would be pleased to have the government of the United Kingdom place orders for the Bren gun with the company organized by Major Hahn and his associates, I was informed by the Prime Minister at the council yesterday that the question had been considered, and it was not thought advisable at present to request the government of the United Kingdom to place in Canada munitions orders of this type." That letter is confined to one specific instance. All that that document says is that the government following up its policy of not intervening to secure contracts for new contractors had not indicated its desires with reference to all—what the charge has been is this, that Hahn was appointed by the Prime Minister, that the government pushed him in on the war office, and now he produced the letter for another purpose which clearly shows that the government flatly refused to recommend the giving of an order by the British government to Hahn.

Instead of treating that for what it was really worth in this committee it is construed falsely as a declaration against British war armament contracts being placed in Canada, upon which there is not a bit of proof before this committee.

Mr. GREEN: If you will just read that carefully you will see that it refers to the making of guns, and the last words are; "and it was not thought advisable at present to request the government of the United Kingdom to place in Canada munitions orders of this type"; that is, for Bren guns. It does not say munitions orders with firms of this type, it says munitions orders, of this type, referring to Bren guns.

Mr. McGEER: The whole thing is qualified by what it says. It says, the government has been requested to indicate to the British government that it should let a contract with Hahn and his associates. The British government are not taking advice from Canada, and at that time the Canadian government had developed a policy as was stated in the Prime Minister's letter to Mr. Hugh Plaxton that any contracts that were to be received must be received on the initiative of individual contractors and not at the instance of the Canadian government. That was exactly the position taken when Mr. Hugh Plaxton wrote to ascertain whether or not the government of the day would be willing to permit the manufacture for British rearmament of munitions and armaments here. The answer was, we have no objection to those things but those contracts must be secured not at the instance of the Canadian government but at the instance of the individual contractor. Was there any suggestion at any time that the government of Canada was opposed to individuals going to London and securing war orders from the war office? That was the policy, and as the deputy minister has stated time and time again every assistance that could be rendered by the department to those seeking information for that purpose was given and readily given.

Mr. GREEN: I am simply making the point— you may not agree with me—that if the government had carried out this no commitment, abstaining, policy, it meant that the British government could not arrange for the manufacture of guns either by state or by private manufacture and there would have been no need for the defence department to have shoved Hahn in.

Mr. McGEER: But it is abundantly clear that there was no shoving in at all of anybody. You are saying that offensively—

Mr. BROOKS: I think we are getting a long way from the proper discussion of this matter.

There is just one question I would like to ask General LaFleche: I understand from his remarks and also from the remarks of the minister, that the government could not have manufactured without great cost—we will say, profitably—fewer than 12,000 guns in Canada. And now, this was the opinion of our defence department, I believe, here in Canada; that the 7,000 guns which were required could not have been manufactured without considerable cost, and it was by getting the contract of 5,000 from England that we were able to manufacture more profitably here in Canada. Could England without getting the 7,000 guns, or at least could England under a contract for only 5,000, could she have come here to Canada and had them manufactured without great and infinite cost to herself—wasn't there a sort of an understanding at the time between the Canadian government and the British government, during 1936, that if Hahn could get a 5,000 gun contract from England that we would give him a 7,000 gun contract to manufacture here in Canada?

Mr. MacNEIL: That is rather a long question.

Mr. McGEER: Why not break it up and ask the points you want to get at one by one?

Mr. BROOKS: I think he can handle it.

[Major-General L. R. LaFlèche.]

The WITNESS: The Colonel's question I believe is a little long; however, if I may be permitted to I will try to answer it. I think that is best explainable by pointing out that it was appreciated by the war office and by my department that to make in Canada the requirements of one only—that means either 5,000 or 7,000—would bring the unit cost to an unreasonably high figure.

*By Mr. Brooks:*

Q. The same would apply to England manufacturing 5,000?—A. Yes, it would, and England would never dream of paying the cost of making only 5,000 in any factory whether in Canada or elsewhere. England would never have sent a contract to manufacture 5,000 guns in Canada if she had not known that the Canadian government was also going to give Hahn a contract for 7,000.—A. Quite right, we in Canada were in exactly the same position, and we did wait until the war office was thoroughly satisfied before we took final action.

Q. Did you or your department ever intimate to Major Hahn that if he went to England and obtained this 5,000 order or a similar contract from England, that he would have a contract from the Canadian government?—A. At what time would that be?

Q. Any time between 1936 and the time this contract was signed?—A. I will answer that, but I must explain the situation at different stages. I would say that in October 1936 I definitely told Hahn that we had no money to buy guns. He replied, who is doing all this rearmament? As all the other people who called at the department asked. The answer was the same to all; Great Britain is rearming and I understand is rearming in a very big way; it is a matter of public knowledge. Then their question was, where can we get orders? The answer would be, well, none here. If you want any, do you want to try in England; others have gone.

Q. But the fact remains that the 5,000 contract received from England could not have stood alone in this country?—A. Quite right, nor could ours have stood alone.

*By Mr. McGeer:*

Q. The fact is that the war office could have secured the guns in Great Britain?—A. And nearly did by putting up a second source of supply in Great Britain; but for strategic reasons the war office always were happy to come to Canada, to a secure and safe source of supply.

Q. Knowing that she will have to pay more for the guns?—A. Yes.

*By Mr. Brooks:*

Q. Was not England anxious that Canada should establish the manufacture of machine guns for her own forces? Did she not feel that if Canada was manufacturing and equipping her troops it would have a beneficial effect as far as the empire forces were concerned? She was keen on getting manufacture in Canada and was willing to give an order herself in order to assist us to get started.—A. Well, I can only speak from what knowledge I may have, or have had, and also any opinions I may hold, securing my information from wherever I may have had it. I think Great Britain was glad to see guns made in Canada for two principal reasons. The first, to provide for herself a second and safely located source of supply, and secondly, to relieve British production of the necessity of supplying Canada's guns at a time when she required for herself all that she could make.

Now, as to the question of Empire security, I have no knowledge of that, but I assume, I hope so anyway. But the two principal reasons I have just cited were obvious to me.

Q. There has always been close co-operation, I understood you to say—  
A. You were good enough to ask that question, and I am happy to be able to say they have always been extremely kind and helpful to us.



*By Mr. MacNeil:*

Q. I did not get the opportunity to clear up one or two points that I had in mind. We have Mr. Woodsworth's questions which were answered on June 22, 1938. General LaFleche, you have had these questions before you. You would recognize that the intention was to get full information with regard to the relationship between Major Hahn and the department. Do you think that would be a fair interpretation?—A. I would certainly grant that was the intention.

Q. At that time the contract was executed. Is that not correct?—A. Yes.

Q. And included in the contract was a provision with regard to pre-contractual expenses?—A. Yes.

Q. You were aware at the time this question was answered that Major Hahn was of the opinion that he might properly, for various reasons stated, charge a fee for the time that he had been engaged on this work precontractually?—A. Precontractual, but in respect of a certain aspect of a precontractual period.

Q. And that he, in that connection?—A. I remember it is specifically stated as engineering and planning, something like that.

Q. Well, my point is—A. There is a great difference, sir.

Q. It was within your knowledge at the time that Major Hahn considered it legitimate to charge a fee for services rendered during the period 1936, 1937 and the early part of 1938?—A. For engineering, I think.

Q. Whatever you call it; he calls it a fee.—A. May I explain so that you will understand my understanding of the situation? There is a great difference in my opinion—

Q. I am not arguing that point.—A. —between expenses incurred in going after business. That is one thing, and expenses actually incurred for planning and then big expenses to engineers for services they render.

Q. However, I am correct in saying that he considered it legitimate to charge a fee, and so stated in his claim, for services rendered to the public?

Mr. MCPHEE: Read the section of the contract.

Mr. MACNEIL: I am not arguing the point. I am asking if this was within General LaFleche's knowledge at the time the question was answered?

The WITNESS: When the clause about the \$20,000 was discussed, I had definitely in my mind that there would be due to persons in the position of the John Inglis Co. Limited acting on precedent elsewhere founded—it would be proper to reimburse them for certain expenses having to do with actual preparation for the performance of a contract.

*By Mr. MacNeil:*

Q. Well, now, you stated a moment ago if Mr. Woodsworth had added the year 1936 as well as 1937 you would have answered the question in exactly the same way with "no."—A. Yes.

Q. Is it not true that Major Hahn did conduct a survey of this situation in 1936 under the auspices of the Canadian government?—A. Yes, but I did not know it at the time.

Q. On June 22nd—A. Under the official auspices of the government? I did not know that then in 1938.

Q. I am using the words "the Canadian government." It does not say employment.—A. That is a new light, and never struck me before. Well, Major Hahn did come back in December, 1936, and he had proof of a very careful study of the problem of the manufacturing of guns, yes, that is right.

Q. He made a survey and advised the Canadian government—A. Yes, that is right.

Q. My point is this: technically you may claim that you answered this question accurately.—A. I am not hiding behind technicalities, I assure you.

Q. Was there any objection to taking the opportunity of amplifying and getting the complete information to the house on June 22, 1938?—A. There was

[Major-General L. R. LaFleche.]

no reason at all, and it was not knowingly done, and as I did yesterday, I would ask you as a favour now to read carefully the evidence taken by Commissioner Davis on that period of 9th, 10th and so forth of November, 1936.

Q. Hindsight is always better than foresight with all of us.—A. I assure you it is very, very clearly stated, labouriously stated, if I may say so.

Q. Can you justly quarrel if later suspicion was aroused when questions were answered in this way?—A. Yes, I can justly quarrel.

Q. Why?—A. When one has a suspicion, particularly in important matters of national import, let alone the personal aspect of it, the danger of doing very great damage to a man's reputation is to be expected. I am not addressing you or Mr. Woodsworth, but the ordinary procedure is to go and say, well, Mr. So-and-so, I do not understand this; what about it?

Q. There was nothing in the nature of an accusation in this question. You are not suggesting that?—A. I tried to exclude you, I did so by name, Mr. MacNeil. You will permit me to say again that I fully realize that you have a duty to perform here in this committee and also in the house of commons.

Q. I am referring to June 22, 1938. The contract was executed?—A. Yes, sir.

Q. Now, at that time there was no occasion, as you intimated to me a moment ago, to maintain any secrecy with regard to the negotiations that led up to the execution of the contract?—A. Except in the interest of the British government, making it known they were taking other means to find Bren guns.

Mr. McGEER: Is it your contention that Major Hahn was ever appointed by the Canadian government to go to England? Is that your contention?

Mr. MACNEIL: I am asking General LaFleche why he did not take advantage of the opportunity to give fuller answers to the questions. If he will not give that information, can he justly complain if later suspicion was aroused?

Mr. McGEER: The question was: "was Major James E. Hahn appointed by the Canadian government to go to England?" All the evidence is that Major Hahn went to England on his own. When he got there he said, "I cannot get this information." And what was done then was—as Major Hahn pointed out in his evidence—an arrangement was made with the High Commissioner in London who in turn arranged with the war office to give him information as a representative of the Canadian government. Major Hahn says that he did not even know that the Department of External Affairs had arranged with the High Commissioner in London, who in turn arranged with the war office to give him that information as a representative of the Canadian government. Now, authorizing the British government to give to Hahn information under the guise of his being a representative of the Canadian government is a very different thing from appointing Hahn to go to England to do a job for the Canadian government.

Mr. MACNEIL: I try to refrain from argument at this stage.

Mr. McGEER: Major Hahn gave evidence before the committee. He said "I did not even know that I was getting any information as a representative." How could Major Hahn have been appointed to go to England to get information for the Canadian government when his uncontradicted evidence is on the record to the effect that he said "I did not know I was getting it in this capacity."

Mr. BROWN: It was just a birthday present for him.

Mr. McGEER: If you had as much brains as Hahn has you would fall into some birthday gifts too.

Mr. MACNEIL: I tried to ask questions of Major-General LaFleche. Major-General LaFleche can answer these questions. I think if we get into arguments when other members are asking questions, it will be a waste of time.

Mr. McGEER: Let us get to the point.

Mr. MACNEIL: I am asking the questions.

Mr. MCGEER: If that is your interpretation—you do not want to say what your interpretation is. I can quite understand that.

Mr. DOUGLAS: Is Mr. MacNeil on the stand?

Mr. MCGEER: We are trying to find out together as members of the committee—you are not on the stand either, neither am I—but surely as members of the committee desirous of getting facts for the Canadian people we can have something of a little willing co-operation as to what the point is that questions are directed to develop.

Mr. DOUGLAS: Major-General LaFleche can answer the questions quite competently.

*By Mr. MacNeil:*

Q. General LaFleche, in answering any question—not only this question but other questions which were asked in the house of commons, and the question was also asked by the leader of the opposition of the day, indicating an interest in this question and indicating to your department that rumours were in circulation—did you not think opportunity might have been taken, if not on this occasion, on other occasions, to indicate to responsible members of the house the situation and that you might have avoided a situation such as arose in August?—A. Well, sir—

Mr. BERTRAND: What specific question would he have had to answer?

Mr. MACNEIL: This one. Mr. Douglas has another.

The WITNESS: I should like to answer one at a time.

Mr. MCGEER: You are asking this witness a question as to what should be the procedure in answering questions in parliament, when questions are asked according to the procedure of parliament. Now, if it was right for the department, or the minister, to go out of its way to answer questions—

Mr. BROWN: Mr. MacNeil is asking questions. Why do you have to stand up always and conduct—

Mr. MCGEER: I am raising a point of order.

Mr. MACNEIL: Would you let us do the same thing?

Mr. MCGEER: Yes, and don't you make any mistake, I have had plenty of it. What I am suggesting is the question directed to the witness involves a question of parliamentary procedure. In other words, Mr. MacNeil is saying to the witness, when you get a question from a member of the House of Commons, directed to a minister of the Crown, should you answer that question as it is asked or should you decide to add information to the question which is not asked at all? Now, parliamentary rule upon that is very positive. The rule says that the question must be answered specifically as it is asked. That is the rule of parliament. If the rule goes out that you are going to accommodate and to give people information that they do not want, then no doubt the minister will have the privilege of adding a lot of other things to the question; and the reason why that rule is that you must give a specific answer to the question, is a very sensible one because it guarantees to the members of the house of commons answers to their questions. If somebody asks a question about 1937 when he wants information about 1936, or if he asks a question designedly intended to get an answer which is making a statement of something which is untrue, then the answer must be specifically required to avoid that. These questions were designedly answered to show that Major Hahn was appointed to go to England, and that never was true. Any other answer but "No" would have been a violation of the parliamentary rule of questions and answers.

[Major-General L. R. LaFleche.]



Mr. DOUGLAS: It is not a matter as to whether or not the minister should have given more information.

Mr. McGEER: This witness is not the one to examine on that.

Mr. DOUGLAS: But the General made the statement that even if 1936 had been included his answer would still have been "No," and that no doubt Mr. MacNeil is justified in drawing attention to the fact that the question was intended to be: Was Major James Hahn appointed by the Canadian government to go to England in 1936 to make a survey of munitions production for the purpose of advising the Canadian government? As a matter of fact, leaving out the question of whether he was appointed before or after he got there and was made a representative, the fact remains that he did make a survey, that he did make a report, and consequently the next question was: If so, were his expenses paid by the Canadian government? At the time of answering those questions the contract had been signed, one clause of which provided for the payment of his expenses.

Mr. McGEER: No, no.

Mr. DOUGLAS: Pre-contractual expenses.

Mr. McGEER: No, read the contract.

Mr. DOUGLAS: Clause 1, subsection (e), page 3:

A sum not exceeding \$20,000 in respect of actual costs of preliminary investigation, planning and engineering services carried out by the party of the second part prior to the execution of this agreement as evidenced by vouchers or other proof in support thereof satisfactory to the party of the first part.

And Major Hahn certainly thought he was going to be paid for that survey because in the vouchers which he submitted for October 20 to December 26 they show:—

J. E. Hahn in England interviewing Sir Harold Brown relating to manufacture of Bren guns in Canada for British government; making surveys at Enfield plant and securing data necessary for report on Canadian possibilities with consequent savings to Canadian government by arranging contract for British war office; expense sheet No. 3 attached, \$1,322.26. J. E. Hahn, seven weeks at \$300 per week, \$2,100, making a total of \$3,422.26.

The point is that he did make a survey, that he did report to the Canadian government and that he did expect to be paid. I am not complaining about that.

Mr. McGEER: Why do you not add that this account has not been paid?

Mr. DOUGLAS: Certainly.

Mr. McGEER: That is one thing you will not acknowledge.

Mr. DOUGLAS: He expects to be paid.

Mr. McGEER: Ask him if it was paid or ask him if it is going to be paid. Surely you do not object to the facts and truth coming out.

Mr. DOUGLAS: Someone asked the General this afternoon if it had been paid, and I said to the General, "You will surely not say it will not be paid?" And he would not say that because the contract provides for it being paid.

Mr. McGEER: It does not.

Mr. DOUGLAS: It provides for the sum of \$20,000.

Mr. McGEER: It provides for payment being made on evidence and vouchers satisfactory to the department.

Mr. DOUGLAS: As to why it has not been paid up to date we will have some questions to ask.

Mr. McGEER: That account is for the total of \$26,000, not \$20,000, and obviously even Major Hahn expected some of these items to be disallowed.

Mr. DOUGLAS: Just a moment. Mr. Chairman, I object to these constant interruptions. The General is quite capable of answering what he wants to answer. The point I am making is that to all intents and purposes, however much quibbling you may do, the Major made a survey, made a report, and, since this contract was already signed at the time, June 22, expected to be paid some amount of money for his expenses and had already submitted vouchers. In a sense he was employed, and yet in answer to that question all we get is "No". Now, I want to point out that the General stated this afternoon that he thought this inquiry had done some harm. May I point out some of the reasons for it? On February 22, 1937, Mr. Coldwell asked in the House of Commons this question:

What company has secured the manufacturing rights of the Bren gun?

The reply was this:

None, so far. Several have been endeavouring to do so.

All the evidence that has come both from the General yesterday and the Minister of National Defence is to the effect that there was no other person endeavouring to do so. As a matter of fact, in giving his evidence the minister, when he was asked the question, "You did not give anybody else the chance?" replied "Nobody asked for it".

What I am trying to point out to the General is that these answers were not comprehensive; that instead of clarifying the situation they befogged it, and if there is any responsibility for results that have come as a result of the investigation they have come as a result of the conduct of those responsible—

Mr. BERCOVITCH: No, they have come as a result of the questions being badly framed.

Mr. DOUGLAS: There was nothing wrong with the framing of this question:

What company has secured the manufacturing rights of the Bren gun?

The answer was:

None so far. Several have been endeavouring to do so.

Mr. McGEER: You see what you are saying is this—

Mr. DOUGLAS: I know what I am saying.

Mr. McGEER: You are saying there were several others outside, because the question is answered that no one in Canada has tried to get that licence. You put the broad open question to the minister of who has got the licence, which lays it wide open. As a matter of fact, there were several concerns endeavouring to get that licence in a great many places in the world.

Mr. MACNEIL: No. That question is not framed "from Canada". What you people want is a few lessons on how to frame questions.

Mr. DOUGLAS: Mr. McGeer should have been an interpreter of dreams. He keeps on interpreting other people's remarks.

Mr. McGEER: I would have to be an interpreter of something more than dreams to follow you.

Mr. DOUGLAS: On the same page of Hansard they were talking specifically about Bren guns in Canada.

Mr. BERCOVITCH: Read that question. Does it say so?

Mr. DOUGLAS: I will read the question before:—

[Major-General L. R. LaFlèche.]

Mr. MACKENZIE: Twelve Bren light automatic machine guns, two of which have arrived in Canada, were ordered from the British war office. There is provision in these estimates for twenty-one more guns of the same kind for instructional uses in the various units throughout Canada; there is also provision for a substantial further number. It has not yet been decided whether they will be obtained from England or manufactured in Canada. An endeavour is being made to see if they can be manufactured here.

That is Canada. And then follows Mr. Coldwell's question.

Mr. BERCOVITCH: That is the answer.

Mr. DOUGLAS: No. This is Mr. Coldwell's question:

Mr. COLDWELL: What company has secured the manufacturing rights of the Bren gun?

Mr. BERCOVITCH: You mean that question follows what you read a moment ago?

Mr. DOUGLAS: Yes. They are talking about Canada. And the answer to that last question was:

Mr. MACKENZIE: None so far. Several have been endeavouring to do so.

Which is, of course, entirely incorrect.

The WITNESS: No; if I may be permitted. I should like to attempt to explain the statement of a person other than myself—my own minister. It might well be that my minister—I notice that was on the floor of the house. It was not a formal question and reply. He may well have had in mind the English firm, and then another firm, an English firm's Canadian representative, and I think one other; one was after revolvers as well, I believe. You could very nicely, I submit, take that as not a plausible but a very good reason for my minister's reply from the floor of the house.

Mr. McGEER: For instance, we do know that the Birmingham Small Arms Company were in exactly the same position with the war office in England as Hahn's company was; and we do now and we have in evidence that it was in direct competition with the Birmingham Small Arms Company that Hahn found himself when he was in England; and that he secured that contract was due solely to Hahn's initiative in being there and selling the idea of getting a secondary supply in a more secure place on this side of the Atlantic. But to say that there were no other concerns trying to get the opportunity to do what Hahn was doing is contrary to the evidence that is before this committee. If Hahn had not been in England at the time he was and had not done the work that he did, we would have been forced to spend the money for our 7,000 guns in England.

Mr. BROWN: England could not supply the guns.

Mr. McGEER: The evidence is on record that if you will give us an order for 7,000 guns, we will set up a secondary source of supply in Great Britain. That is the letter from the British war office.

Mr. BROWN: And supply them when?

Mr. McGEER: Supply them as soon as the secondary supply source is set up. The Birmingham Small Arms Company were there on the job, an established small arms company in England, saying, "You should not give that order to Canada; the order for whatever extra guns you need should go to British industry and to British workmen."

Mr. BROWN: It has been the policy of the British war department to establish secondary sources of supply outside of Great Britain.



*By Mr. MacNeil:*

Q. Was that situation known in February, 1937?—A. Which?

Q. Was that situation known to the department in February, 1937?—A. What is the question?

Q. Was that situation—the answer to the question—the situation that there was possible competition with the Birmingham Small Arms Company?—A. Known to me? I would have to look up the dates that the British were considering whether it would be necessary to set up a secondary factory in England; and I understood then or sometime—I have always associated it as being the same time, which to my knowledge—I had the impression that if a second source of supply was set up in England, it would be the private firm there, the B.S.A.

*By Mr. Douglas:*

Q. Were there any firms in Canada who were endeavouring to get the contract to manufacture these guns?—A. I think at a late date the Canadian agents, whoever they are, of this English firm did make some inquiries; and I am not sure but what another firm made inquiries; at late dates, though.

Q. Did any Canadian manufacturer make any?—A. Yes.

Q. Prior to February, 1937?—A. Oh, much later than that.

Q. But not prior to that?—A. Much later than that.

Q. Did any firm make application before that?—A. No, not to my knowledge.

Q. Then the explanation you gave a moment ago would not apply to this situation?—A. What explanation did I give?

Q. The explanation you gave that there were some companies which had made some representations to the government?—A. When did the war office advise me that they were thinking or that they were considering the necessity of putting up a second source of supply for their own requirements? That would be the end of 1936.

*By Mr. McGeer:*

Q. That is December 12, 1936, exhibit 106.—A. That is right. That letter was received by me on the 29th of December, 1936.

*By Mr. Douglas:*

Q. That would not apply to this, that there were manufacturers here who were applying for the right to manufacture?—A. Through their Canadian connections, yes, possibly; but I believe there was also the question of revolvers at the time.

Q. We are dealing exclusively with the Bren gun?—A. Yes; but the minister on the floor of the house might have had in mind revolvers or small arms or anything of that kind and he could easily be confused.

Q. We are talking of the Bren light machine gun?—A. I know we are—you and I at this moment.

Q. That is what the question stated.—A. And in the House of Commons there is no doubt about that; but you will see the association of thoughts, that the English private firm wanted to get into production of the light machine gun; they also wanted other things. They were interested in Canada as a client. They wanted to make a sale here; and all that might very well have been in the minister's mind. But again I state, as I began my remarks, I cannot take entirely upon myself to explain what may have been going through his mind.

*By Mr. Brooks:*

Q. Did you not explain to us yesterday, General LaFleche, that in the fall of 1936 you came to the conclusion that you could not obtain the Bren guns in England and that was the time you were making inquiries with reference to machinery and dies and so on for the manufacture in Canada?—A. Col.

[Major-General L. R. LaFleche.]

Brooks, I told the committee yesterday very plainly that in the fall of 1936 I did not know where we would get them, I did not know when we would get them and I did not know how many we would get.

Q. Still in 1937 you say that there were firms in England that were making inquiries about the manufacture of guns in Canada?—A. Of course. They thought they would get the factory in England. I told you yesterday or the day before that for defence purposes I wanted it in Canada and so did the war office.

Mr. McGEER: You received on January 23, 1937, a letter from George P. Vannier, Secretary of the High Commissioner's office in London. I will read this letter and ask if you recall it.

Mr. GREEN: What is the exhibit number?

Mr. McGEER: It is exhibit 120, and reads as follows:

I beg to transmit, herewith, copy of a communication dated the 13th instant from Messrs. B.S.A. Guns Limited regarding the question of the manufacture of the Bren gun, and to state that I shall be glad to be advised of the nature of the reply which you wish communicated to the firm. A copy of that letter, dated January 13, 1937, reads as follows:

B.S.A. GUNS LIMITED,

BIRMINGHAM, ENGLAND, 13th January, 1937.

The Secretary,  
Office of the High Commissioner of Canada,  
Canada House,  
Trafalgar Square,  
London, S.W.1.

SIR,—For some time we have been studying the question of the manufacture of the Bren gun, for supply to the war office and to the Dominions and colonies. To justify the capital outlay, it is essential that we have some idea what the possible requirements will be. We know that any orders from the war office are not likely, under present circumstances, to be large, and to cover our initial expense, the price will be so high as to prejudice the placing of such orders.

If, however, we can see the possibility of selling to other parts of the British Empire, then the price to all customers can be correspondingly reduced.

It would be greatly appreciated if we could be given some indication as to the policy of Canada in regard to the Bren gun.

Will Canada adopt the Bren? If so, will Canada set up to make the gun, or will they rely on supplies from Great Britain?

In the latter case, can any indication be given of:—

(a) Total requirements.

(b) Requirements during the next three years, excluding the guns for trial purposes?

(c) How many guns (if any) does Canada require in order to try out the gun with a view to its adoption?

Any answers to these questions will not be construed as either an order or an encouragement to expect orders from Canada.

We should like to take this opportunity of informing you that we are in close touch with the original makers of the Bren (Zbrojovka) and that we hold certain rights to make other guns designed by them.

We are, Sir,

Yours obediently, for B.S.A. Guns Limited,

(Sgd.) W. S. JANES,  
Secretary.

The WITNESS: You see, sir, that did not meet our views at all, that would be a factory not in Canada, at that time they were trying to get a contract.

Mr. McGEER: The point we are dealing with here is the minister's answer. This is January 13th, 1937, and the date of that answer was—

Mr. DOUGLAS: It was February 22nd.

Mr. McGEER: Just a minute; so that at the time that question was answered there was an inquiry from the British Small Arms Company indicating that they were preparing or attempting to manufacture the Bren gun. You see, when you get all the facts on these things your charges disappear.

Mr. MacNEIL: Who is charging anything?

Mr. McGEER: You are making the charge that the minister is misrepresenting, that is the charge that was made, and it was made by you here in this committee in raising that question, the question answered on the floor of the house indicating inferentially that the minister was deliberately misleading the house. That is what it was done for; that it was done for that purpose.

Mr. MacNEIL: Mr. Chairman, we were pointing out that had General LaFleche supplied all the information available, the secret information from the department, that information would have made the position clear.

Mr. DOUGLAS: Certainly.

Mr. MacNEIL: There is no doubt about that. General LaFleche admits it. All of the information was not forthcoming, as the hon. member for Vancouver-Burrard (Mr. McGeer) knows very well, and the point we made was that a member does not have the information at his disposal on which to frame questions exactly or adequately.

Mr. McGEER: No, no; you made a charge.

Mr. MacNEIL: The point is this, it is not a question of charging anybody; my point is this, can General LaFleche complain, has he just complaint, when suspicion results from that method of answering questions?

Mr. McGEER: Then, what I want to say is this; you say that Hahn was being appointed, and that Hahn was being pushed, and the question is based on what the policy was, was Hahn appointed to go to England in 1936; and the answer to that question would be, no; and quite properly so. Now, when the minister gets on the floor of the house and says there are others seeking this contract—the minister was not examined on that when he was here on the stand but when he has left the stand it is brought up against him; and it is only because some of us have gone through the record and are prepared to keep the record straight as to the facts that are available that we can stop that kind of charge against him.

Mr. MacNEIL: Who is charging anybody?

Mr. McGEER: That is a charge.

Mr. MacNEIL: That is an inference given in connection with the question.

Mr. McGEER: Did you know that the Department of National Defence had made the request, or had this request from the Birmingham Small Arms Company?

Mr. DOUGLAS: The hon. member knows very well that that does not answer the question. We are talking about manufacturing in Canada. The hon. member need not try to bring in the Birmingham Small Arms Company now.

Mr. McGEER: What I wanted to do was this, to place before all members of this committee all the facts that are pertinent to the issues.

Mr. DOUGLAS: Nobody is objecting to your doing that. I merely pointed out to General LaFleche that he was aware that even as far back as 1937 it was understood before this committee that no other company had been considered because of the serious situation which had resulted. I merely point that out.

[Major-General L. R. LaFleche.]



Mr. McGEER: I put it to my hon. friend; supposing you were the minister and you had information about these things, and you knew that we were trying to get production in Canada, and that question came up and you knew of the condition which existed at that time, do you think there would have been anything wrong with the answer given to that question?

Mr. DOUGLAS: I certainly do.

The WITNESS: May I make a little statement in connection with that? I may say—if I may, that it is rather difficult for a witness to make himself heard sometimes. The very great interest of gentlemen of the committee, commendable interest, in the business before the committee—but in that respect, about the question put to my minister in the house in February of—

Mr. DOUGLAS: 1937.

The WITNESS: Was it 1937?

Mr. DOUGLAS: Yes, 1937.

The WITNESS: The whole business was in such a situation, and we knew something about the British situation but not very much, just enough to know that it was an important question; and I may venture to suggest to you, gentlemen—I hope you will take it that I am desirous of being helpful—that under such circumstances any questions are embarrassing, not by reason of the department's interests but by reason of war secrecy, preparation for defence; and I really submit that to you, earnestly, as a matter worthy of some consideration.

*By Mr. MacNeil:*

Q. General LaFleche, it was at the meeting of October 9 that Mr. Hugh Plaxton introduced Major Hahn to you in your office?—A. I think that was the day.

Q. Were you interviewed on or about that day by Mr. Cameron?—A. Yes. Yesterday I forgot entirely that Mr. Cameron had come to my office alone at that time. He was in at the time on other business, but I understood he was interested in the reopening of the Inglis plant.

Q. What was the nature of his representation to you on the first occasion?—A. He did not represent anything on behalf of the Inglis company. He came in on account of business between our department and another company of which he is an officer. I learnt at that time that he did have an interest in the Inglis company. I should have recalled that yesterday but my mind was working more on the production end of it than anything else.

Q. The point I think was overlooked yesterday. On the same day did you not issue instructions for the gun to be shipped to Toronto for special examination by Major Hahn?—A. That must have been after Major Hahn called at my office. He made a request.

Q. I refer to exhibit 71. Do you want it read? I am not pressing it to clutter up the record.—A. Exhibit what?

Q. Exhibit 71; your letter is dated 19th October, a memorandum to the master general of the ordnance, marked "secret." It reads as follows:—

Please make arrangements to enable Major J. E. Hahn, Star Building, Toronto, Ontario, to inspect a "Bren" gun under arrangement to be made by the D.O.C. 2.

Major Hahn requested permission to see the "Bren" gun for the purpose of estimating cost of production in Canada of the said gun.

Major Hahn will bring with him not more than two engineers or mechanics.

It is to be understood by all concerned that this inspection is to be considered strictly secret.

(Signed) L. R. LaFLECHE

Deputy Minister

A. Quite right. I was meeting a request of a Canadian industrialist in this case as I have done in other cases.

Q. Was the examination of the gun confined to any selective list of individuals or was it open to inspection by anyone? A. Any bona fide person coming to my office, in whom I would have had confidence, could have had the same thing, and I have taken the same action in respect to other persons in respect to other articles.

Q. In respect to the Bren gun? A. No, never asked to do so. But in these other articles of which I spoke, they have been sent to the one firm which has asked for the favour. I repeat again, I have done my very best to help Canadian industry in every way I can. That is one way I have taken to do it.

Q. Were the specifications on hand? A. No, there were no specifications out.

Q. In exhibit 72 the master general of the ordnance wants to know if certain blueprints and certain pamphlets can be made available to Major Hahn?—A. Yes, but that is not the specifications I have in mind. The specifications, properly speaking, are to begin with, very great in number and very very voluminous.

Mr. McGEER: There are 13,000.

The WITNESS: They are very voluminous. We did not have those in Canada until a long long time afterwards.

*By Mr. MacNeil:*

Q. I refer to pamphlets and blueprints.—A. I do not recall seeing them myself, but I believe they were the ones that go to the uniformed ranks to learn how to look after the gun, taking it down and putting it together, repairing it in the field. I think that is what it was, a demonstration pamphlet, I believe.

Q. As a matter of fact, you gave Major Hahn the opportunity to take snapshots of the gun?—A. Yes.

Q. Secrecy was observed with regard to all such photographs?—A. I did not want them to fall into the hands of any persons, any type of person rather—

Q. Was that favour often extended to other industrialists making similar requests?—A. Yes, in respect to other articles.

Q. In respect of the Bren gun?—A. Never asked for, therefore no.

Q. If they had asked?—A. It was never asked.

Q. Is it not true that many industrialists were approaching the department at this time asking for the opportunity to tender on departmental business?—A. Yes.

Q. When this favour was granted to Major Hahn did it not occur to you that—when he suggested it was possible to manufacture in Canada, did it not occur to you that you might have consulted other industrialists whose plants had been operating?—A. It did not. We were not in the market, as I have already carefully stated, and I again say that in regard to other requests under the same circumstances I have not pushed or shoved the thing upon the attention of people other than those who asked for it.

*By Mr. Bertrand:*

Q. You were not peddling the contract?—A. I had no contract to peddle.

*By Mr. Green:*

Q. You did not ask any other firms to see whether they could take the contract?—A. No, I do not even know that I was really even thinking of it. If we were to have any guns they would be limited in number and we would get them in England probably at that time.

[Major-General L. R. LaFlèche.]

*By Mr. MacNeil:*

Q. This favour to Major Hahn was in the nature of assistance to him in order to negotiate with the British authorities?—A. No. I do not think that is the right interpretation; it was the granting of a request to a substantial person.

*By Mr. Bercovitch:*

Q. A former intelligence officer?—A. Yes, sir, and that is well known.

*By Mr. MacNeil:*

Q. Perhaps in your own words you could state the purpose of granting him this particular favour?—A. He asked to see it and I was very glad to encourage the idea of making this gun in Canada. It was a thing that had never been made in this country, it was not even made in the empire at that time.

Q. The idea of manufacturing the gun in Canada came to the fore as early as your discussion with Major Hahn on that occasion?—A. Oh, I would not say so.

Q. That is the trend of your answers.—A. Well, if that is the trend of my answers, let me tell you this, that I have always favoured Canadian manufactured goods for good strategical reasons.

Q. My question is, if that idea was in your mind at that time, why was it not possible to consult with other manufacturers who were also in touch with the department and whose firms were operating?—A. For the oft-time repeated reason that we were not in the market.

Q. May I ask now— —A. I have been buying for many years for the Canadian government and it is perhaps very deeply engraved in my mind that I do not pretend to be in the market until I am. In fact, the Audit Act prevents me from buying in such circumstances.

Q. I am suggesting that— —A. If we are in the market I say to so-and-so, we are in the market for so many things, what have you got to say about it?; what is your price?

Q. It is not a question of being in the market. Judging by your evidence you say you were exploring the idea of manufacturing in Canada and you were giving your reasons.—A. I said yesterday that hope to find our supplies in Canada ran, and still does, like a thread in regard to all our requirements.

Q. It is not a question of market. Was that idea in your mind at that time?—A. Yes, a large enough market.

Q. When you granted that favour to Major Hahn was that idea in your mind? Why did you not then consider the possibility of consulting other industrialists in Canada?—A. Because that is not the method of doing it. I wait until I have something to buy before going to people. I did not go to Major Hahn.

Q. No?—A. He came to me. Other people have come to me. I do not go out; I do not go out into the street or into the offices and say, well, Johnny So-and-so, I want to order this. It is not up to me to do that, but I will say nearly all the street has come to my office.

Q. It was not a case of buying. Let us be quite clear. There is no question on this matter. It was simply a question of exploring the possibilities of Canadian manufacture. Is that correct?—A. I had hoped we could make these things, generally speaking; but at the time I thought if we did get any we would have to get them from England. But in December when Hahn came back, it was another matter.

Q. Other possible sources of supply were excluded from consideration?—A. No, not excluded. There is a great difference between not taking exceptional action towards going out and saying we might require something, and excluding somebody. On that point, I think it is only fair to everybody to make this statement, that the question of wide-open competition has been to me the ideal



method of doing business ever since I came into the employ of the Dominion government and before; and, at all times, when I have been a deciding factor, I have gone into the wide open market when it was possible to do so. You have heard in the House of Commons what I think is a most creditable statement in regard to opening up the department's business to all Canadian industry when it is possible to do so. There are times when it cannot be done.

*By Mr. McGeer:*

Q. You were the deciding factor in this instance, though?—A. In what instance, please?

Q. I mean, in the matter of allowing the gun to be sent to Toronto for examination by Hahn?—A. Quite right. But I was not in the position of a buyer.

Q. No. But I mean to say you made a statement just a minute ago that when you were a deciding factor—

Mr. GREEN: We cannot hear, Mr. Chairman.

Mr. McGEER: I will speak louder.

*By Mr. McGeer:*

Q. You made a statement a moment ago, General LaFleche, that when you were a deciding factor you did so and so. It might be inferred that you were not the deciding factor in respect to the preliminary relations with Hahn. If you were not the deciding factor there, then who was?—A. I was not speaking nor did I have in mind in any way the incident when the Bren gun was sent to military district No. 2, Toronto, to be seen there under the auspices of that district, when I made my remarks a moment ago. But to come definitely to the sending of the Bren gun to headquarters, military district No. 2, Toronto, to be seen there by Major Hahn, I was the deciding factor. But that was not a purchase.

Q. We were dealing, as I understood it— —A. Mr. MacNeil and I had got off into a little branch, I am afraid.

*By Mr. Douglas:*

Q. There would have been no objection, even though you were not in the market, to calling in some manufacturers with a view to looking over the machine gun to see if it would be possible to manufacture in Canada, even though you were not going to buy at that particular time?—A. There would have been no objection to doing it, no.

Mr. MACNEIL: I accept General LaFleche's statement that he was not in the market, and therefore this transaction was not apparent at that stage of placing an order with Major Hahn. We will eliminate that. My question is directed to the point that he was then considering the possibility of manufacture in Canada, the broad policy of manufacture in Canada; and for that purpose he granted this favour to Major Hahn. I think it would naturally occur to anybody that if Major Hahn had this opportunity to investigate the gun, there are other manufacturers in Canada, manufacturers of precision steel, who might likewise want an opportunity. Would it not have been within the policy of the department to have suggested to a limited number at least that they could also examine the gun and take photographs under the proper auspices, not with the object of buying?

The WITNESS: It would not have been against the policy of the department; and had it been requested at the time by others, there would have been no objection to doing it. But here was the first time that anybody in Canada evinced such an interest in that particular weapon. He asked to see it. He was given the opportunity. And within a few days he is back and wants to go over to England and see them about getting orders, including possible orders

[Major-General L. R. LaFleche.]

for the Bren gun. He goes there; and then a few weeks after that he is back here with the story that they were interested in him as a possible manufacturer of Bren guns in Canada.

*By Mr. Green:*

Q. You said he asked to see it, General LaFleche? You mean that after he had come into your office and saw the Bren gun there, he asked to see it in Toronto. Is that what you mean?—A. At his leisure, yes. I was not going to let anybody take the gun down in my office. It is not a machine shop.

Q. You do not mean to say that when he came into your office he asked specifically to see the Bren gun?—A. No. He saw it there. It was mounted, and I do not know how many people had seen it.

Q. That is what I understood from the other evidence. But the way you put it, it could have been interpreted in two ways.—A. He wished to see it in Toronto at his leisure.

*By Mr. Bercovitch:*

Q. Because he wanted to see it in Toronto, you did not think it was a reason for you to take the Bren gun and show it to all the manufacturers who could have manufactured it?—A. No, certainly not. I had only one gun anyway.

The CHAIRMAN: Gentlemen, it is six o'clock. I presume if I suggest that we meet again at nine o'clock, I would be able to get unanimous consent?

Some hon. MEMBERS: No.

The CHAIRMAN: Is it satisfactory if we adjourn until 11.15 to-morrow morning?

Some hon. MEMBERS: Yes.

The CHAIRMAN: All right. We shall then continue with the same witness.

The committee adjourned at 6 p.m., to meet again on Friday, May 26th, at 11.15 a.m.





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Session 1939  
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SESSION 1939  
HOUSE OF COMMONS

(STANDING COMMITTEE  
ON  
PUBLIC ACCOUNTS)

MINUTES OF PROCEEDINGS AND EVIDENCE  
RESPECTING

THE BREN MACHINE GUN  
AND OTHER ARMAMENT CONTRACTS

No. 24

FRIDAY, MAY 26, 1939

WITNESS:

Major-General L. R. LaFlèche, Deputy Minister,  
Department of National Defence



OTTAWA  
J. O. PATENAUDE, I.S.O.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1939



## MINUTES OF PROCEEDINGS

FRIDAY, MAY 26, 1939.

The Standing Committee on Public Accounts met at 11.15 o'clock a.m., the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Beaubien, Bercovitch, Bertrand (*Laurier*), Black (*Chateauguay-Huntingdon*), Bothwell, Brooks, Brown, Dupis, Fleming, Fraser, Golding, Green, Héon, Homuth, Isnor, MacInnis, MacNeil, McCann, McDonald (*Pontiac*), McGeer, McKinnon (*Kenora-Rainy River*), McPhee, Marshall, Patterson, Purdy, Rickard, Slaght, Stirling, Taylor (*Norfolk*), Turgeon, Wood.

*In attendance:* Major-General L. R. LaFlèche, Deputy Minister, Department of National Defence.

The Chairman read a telegram, dated May 25, received from Horace T. Hunter, President, The Maclean Publishing Company, Limited, requesting that he and Colonel Drew be granted an opportunity to be heard by the Committee.

After discussion, it was agreed that the matter of hearing Mr. Hunter and Colonel Drew be referred to the Sub-committee on Agenda.

Examination of General LaFlèche was continued.

At 12.50 o'clock a.m. the Committee adjourned to the call of the Chair.

A. L. BURGESS,

*Clerk of the Committee.*





## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

FRIDAY, May 26, 1939.

The Standing Committee on Public Accounts met at 11.15 a.m. The Chairman, Mr. W. A. Fraser, presided.

The CHAIRMAN: We have a quorum now, and if you will come to order we shall proceed. Before continuing with the witness I should like to read to the committee a telegram received last evening. It is addressed to W. A. Fraser, Chairman Public Accounts Committee, Ottawa, Ontario, and reads as follows:—

As motives of the author and also publisher of article on Bren gun contract which appeared in Macleans Magazine have been called in question and misrepresented in evidence before your committee I request opportunity to be heard by your committee as to circumstances leading up to publication of article in question Colonel Drew also requests as author of article opportunity of giving evidence on the same matter.

HORACE T. HUNTER, *President.*

*The Maclean Publishing Co.*

I would suggest, gentlemen, that we adjourn to-day at 12.30 and have a meeting of the steering committee in order to ascertain the wishes of the steering committee as to replying to this telegram. I take it that it should be replied to immediately. Also, if the steering committee decides to comply with this request, they should decide when these two gentlemen will be advised to attend the committee.

Mr. MACNEILL: May I ask the reason for referring it to the steering committee?

The CHAIRMAN: I have not any reason.

Mr. MACNEIL: Surely there is no alternative but to grant this request; and I move accordingly.

Mr. BERCOVITCH: I do not know that there is no alternative. The alternative is the one suggested by the chairman, that it be referred to the steering committee.

Mr. MCPHEE: That has been the practice all along; otherwise we might as well dispense with the steering committee.

The CHAIRMAN: In reply to Mr. MacNeil, may I say that I believe the steering committee can rightly expect it to be referred to them, because the other night when we left, we adjourned with perhaps the anticipation in the minds of some of us that this telegram would be received. I know I had that in mind.

Mr. BERTRAND: The offer to come took a long time, before this telegram came.

Mr. MACNEIL: It was published yesterday morning and received yesterday night.

Mr. BERTRAND: It took a long time before these gentlemen offered to come.

Mr. MACNEIL: That was only published yesterday morning.

Mr. BERCOVITCH: I think Mr. Bertrand means publication of the article.

The CHAIRMAN: That is what I suggest, if Mr. MacNeil will agree. I think probably it is the proper course to follow.

Mr. GOLDING: Who is coming from Macleans Magazine, may I ask?

The CHAIRMAN: Mr. Horace T. Hunter, president of the Maclean Publishing Company.

Mr. GOLDING: Have we got to sit and listen to his views on this which he has published and published and published?

Mr. MACNEIL: Why not?

Mr. GOLDING: Is there anything new in it? Has it got anything to do with this contract? Has it any bearing on this point?

Mr. MACNEIL: The statement was made by a very prominent civil servant with regard to their motives in this matter; and they have a right to clear their honour.

Mr. BERTRAND: On that point, yes.

The CHAIRMAN: That is satisfactory.

Mr. MACNEIL: A charge of traitorous conduct is something that no man can accept.

The CHAIRMAN: We will adjourn at 12.30 and the steering committee will meet in this room immediately afterwards. I think we should advise Mr. Marshall.

Mr. BEAUBIEN: Do you have to refer the decision of the steering committee to the whole committee, Mr. Chairman, after you have arrived at it?

Mr. TURGEON: You can give the steering committee power to act now.

The CHAIRMAN: I believe the committee will agree.

Mr. GREEN: The steering committee the other day were, I think, unanimous that if the request were made to be heard, it should be granted.

Mr. BERCOVITCH: No, I do not think we were unanimous. In fact, I know I dissented. I reserved my decision until such time as we received a telegram or request from Colonel Dew that he wanted to be heard.

Mr. MACNEIL: May I just put the position before the committee, with all deference to your suggestion, Mr. Chairman? I am quite willing to fall in agreement with it, but there is definite difference of opinion in the steering committee; and in any event it will have to be referred back to the main committee. That is why I suggest you might as well deal with it here.

Mr. MCPHEE: Mr. Bercovitch reserved his decision until the request was made.

Mr. MACNEIL: We might as well deal with it. My firm conviction was that we might as well give this opportunity while it was discussed in the steering committee; I presume the steering committee will bring my objection again to the attention of the main committee.

The CHAIRMAN: To be perfectly frank with you, I cannot see where there will be any difference of opinion in the steering committee as to complying with the request. I had in mind more that the steering committee would decide what the telegram would contain,—I am not speaking for anybody on the steering committee—and when the witnesses would be given the opportunity to appear. I think that is the point.

Mr. BERTRAND: I suggest that the steering committee sit right away and report in five minutes.

Mr. MACNEIL: That is a good idea.

The CHAIRMAN: We are short two or three members of the steering committee now. I think the committee might quite well leave it to the unanimous decision of the steering committee. I do not think we are confronted with a very contentious question at all, or a very controversial question.

Mr. McGEER: It will probably have to consider to some extent what we are going to hear.



The CHAIRMAN: I beg your pardon?

Mr. McGEER: I think the steering committee is bound to consider to some extent what you are going to hear. For instance, I do not think it is open to this committee to go behind the findings of the Commissioner Davis. After all, this is a public accounts committee, and we are here to find out facts, not to hear political charges that have already been dealt with. It does seem to me that the steering committee have got to consider something of what they are going to hear.

Mr. BERCOVITCH: I was going to suggest the same thing.

Mr. GREEN: Unfortunately, we will have to hear the answer to a charge that was made the other day.

Mr. McGEER: That is a very different thing from reviewing the evidence that was given before the Davis commission, upon which there has already been a finding.

Mr. BERCOVITCH: Shall we sit at twelve-thirty?

Mr. GOLDING: It seems quite all right for them to make charges and repeat them and repeat them all the time with reference to what has been done.

The CHAIRMAN: Is that satisfactory then?

Mr. BERCOVITCH: Twelve-thirty.

Mr. BOTHWELL: Would it not be well to have a motion in this committee now in which we agree to abide by the decision of the steering committee?

Mr. BROOKS: No. Let us hear the decision first.

Mr. GREEN: Perhaps it would be possible to have a motion by this committee that they be called, and that the time and other arrangements be left to the steering committee.

Mr. BERCOVITCH: No; we will not do it that way.

Mr. BERTRAND: They will report to the committee.

The CHAIRMAN: What is your suggestion, Mr. Green?

Mr. GREEN: You said, Mr. Chairman, that you understood the situation to be that there was no question about their being called, but that the steering committee would have to decide on the time and place, and so on.

The CHAIRMAN: I think, if my hon. friend will permit me to say so, I said as far as I could see, in my own mind. I have not got the opinion of anybody else on the steering committee.

Mr. GREEN: You are pretty far-sighted.

The CHAIRMAN: It seems to me obvious from the standpoint of reason. I do not want to be lead into suggesting what anybody else should do or think.

Mr. McGEER: If it is going to go before the steering committee, I do not think we should discuss it.

The CHAIRMAN: I think the committee can leave it to the steering committee. We are all twenty-one and white.

Mr. McPHEE: The procedure has been, from the start of this investigation, that the steering committee decides what witnesses are to be called and when they are to be called. If they are not to do that, why not disband the steering committee?

The CHAIRMAN: Everybody is agreed on that?

Mr. BERCOVITCH: All right, let us get on.

The CHAIRMAN: Are you ready to proceed?

Mr. MACNEIL: Yes.

Major General L. R. LaFLÈCHE, Deputy Minister of National Defence, recalled.

*By Mr. MacNeil:*

Q. I wish to revert to something I wish to clear up in the evidence already heard. May I ask what were the channels of communication between your department and the British War Office, General LaFlèche?—A. Oh, there are several, depending upon, to a large extent, the urgency, the importance, the newness of the subject—meaning whether it is a new subject being opened up or whether it is an old thing. One way is through the Department of External Affairs, who communicate with the High Commissioner for Canada in London, Canada House; the High Commissioner for Canada in London takes it up with the department of the British government or the person in England concerned. The other is by letter or by cable direct from my department to Canada House, the High Commissioner for Canada in London.

Q. And is there direct communication between your department and the British War Office through signals?—A. Yes, through signals to England. Well, I did not enter into the manner in which the communication is made. Let me answer the question. Yes, that is a third one that I should have mentioned. Yes, there is direct communication between National Defence, Canada, and the war office.

Q. What type of communications are sent through your department?

Mr. McGEER: Mr. Chairman, surely we are not going to disclose that.

Mr. MACNEIL: I am asking what they are.

Mr. McGEER: I am raising the objection. If the matter of the method of communication between the Department of National Defence and the British War Office has anything to do with this contract, it seems to me it might be a matter that we could go into. But to sit here and in public to discuss in detail the method of communication between the Department of National Defence and the British War Office seems to me to be entirely outside of the scope of our inquiry and entirely improper from the public point of view.

Some Hon. MEMBERS: Hear, hear.

Mr. McGEER: I mean, what the reason for it is I do not know. I raise that objection because I think it must be obvious to anybody in this room that if there could be anything that is in the nature of a secret in the defence of the Empire, it would be the method of communication between the Department of National Defence in Canada and the Department of National Defence in London.

Mr. BROOKS: It is published in the press. The means of communication is published in the press continually. The code may not be published, and certainly would not be but the means is.

Mr. McGEER: Have you ever seen it published in the press?

Mr. BROOKS: I have seen it. It is in this report.

Mr. McGEER: I have never seen it. Where is it published in the report?

Mr. MACNEIL: It is referred to in the commission. The government counsel took no objection to it.

Mr. McGEER: Where is it published in the report?

Mr. BROOKS: I can look it up, if you wish.

Mr. McGEER: I say it is not there.

Mr. BROOKS: I say it is. It speaks about signal messages from Halifax, I think. I am not going to read the whole report to find it for you.

Mr. McGEER: It speaks of telephone communications; it speaks of radio, naval phone, and various things.

[Major-General L. R. LaFlèche.]

Mr. BROOKS: And decoding messages.

Mr. McGEER: What this witness is asked is: What are all the communications?

Mr. MacNEIL: Channels of communication.

Mr. McGEER: All the channels of communication and what are the details of communication.

Mr. MacNEIL: No, the channels of communication.

Mr. BERTRAND: What has that to do with this contract?

Mr. McGEER: What has that to do with this contract, yes.

Mr. BROOKS: There is no harm at all in it.

Mr. BERCOVITCH: There is no good.

Mr. BROOKS: This veil of secrecy that is thrown up over the thing every time a question is asked is ridiculous.

*By Mr. MacNeil:*

Q. My point—and the question I was leading up to—is that while you were communicating through the Department of External Affairs, you also communicated directly with the British War Office?—A. Quite normally.

Q. With regard to this matter?—A. Yes, quite normally.

Q. And that is the usual practice?—A. Quite normal.

Q. Here is another point arising out of the previous evidence. Were plans drawn up in the department prior to this period for a small arms factory?—A. You will recall, Mr. MacNeil, that I went into that, and I believe thoroughly, the first day I was before this committee.

Q. Yes; were plans actually prepared? That point was not dealt with.—A. I would say not complete plans, but enough to call them, rightly so, plans, yes; but not by any means complete. May I explain that lest I might cause a misapprehension. Some people may call a plan for such a purpose the blueprint outlay or lay out, rather, of the proposed or imagined establishment of one kind or another; depending upon the purpose a person may have in mind, he may call that a plan. But a plan to manufacture something is very, very much more detailed, very, very much more voluminous. It is worked out to the final details by men competent in planning and in drawing.

Q. Reference was made during the inquiry of Mr. Justice Davis to plans which you promised to produce. There were plans and specifications, I understood, fairly complete, for the erection of a small arms factory; something more than a machine shop. Is that not correct?—A. That I believe had to do with what I have called a machine shop?

Q. Something more than a machine shop.—A. No. If you are speaking of small arms, I think I am right in saying that I described it rightly under the term of machine shop the other day. But I think you are confused now, Mr. MacNeil, with what has been called the grand Valcartier arsenal scheme.

Q. No. I am referring to the plans for a small arms factory as dealt with before Mr. Commissioner Davis. Did you not give evidence then that such plans had been prepared and did you not promise to produce such plans?—A. I produced volumes of stuff which would more than cover the entire surface of the chairman's desk here this morning. I had to get them up from the arsenal in Quebec city. There were more than twenty very heavy and large volumes, and that was all put down before Mr. Commissioner Davis.

Q. And there were plans for a small arms factory?—A. There were plans, as I said a moment ago, for a machine shop. That is what I remember.

Q. Nothing more?—A. I brought down everything I could find, and they must be with the original documents that were forwarded by Commissioner Davis to the Prime Minister with his report. They are not in my possession, and I can only ask you to look them up, but they are extremely voluminous.



Q. You cannot at this moment say how far those plans contemplated the erection of a small arms factory?—A. We had had them from England, you know. They were not for the Bren gun.

Q. But included was, for instance, production machines for rifle barrels?—A. That is right, quite right; all that information of a detailed, yet of a general character. I again ask you either to get them or to look them up; and those volumes are in the possession, I believe, of the clerk of the privy council.

Q. May I ask another question to clear up another point in the evidence of yesterday? Did General Ashton, as chief of the general staff, discuss the manufacture of the Bren gun in Canada with the British War Office any time during 1935, 1936 or 1937?—A. I do not know.

Q. Did you not give evidence on that point before the commission?—A. Well, did I? I do not recall it. I do not say that I did not.

Q. Was he not present in England with you in 1937?—A. He was.

Q. Did he not have your authority to confer with Sir Harold Brown and other officials—Mr. Gordon, for instance?—A. Yes, he certainly called at the war office with my knowledge; of course, he did. But he was there for a very large number of things, subjects—to discuss a large number of them.

Q. He was authorized to discuss with the war office Bren gun manufacture in Canada?—A. He was not particularly authorized or instructed to discuss the production of Bren guns with the war office; but there was every desire that he discuss any questions he wanted to discuss with the war office officials.

Q. Coming back to the letter of October 20th, I should like to be quite clear as to what information you had as to Major Hahn's ability to produce Bren guns. Was it based on anything more than the reports of Major Hahn himself and the reports received from Mr. Hugh Plaxton, M.P.?—A. Oh, yes, in this way, that facts mentioned by one or both of those gentlemen—some facts mentioned by one or more of those gentlemen were a matter of common knowledge. I knew in a general way the activities of companies—the products of companies in which Major Hahn had been the controlling factor.

Q. Were those products the results of the manufacture of precision steel?—A. Yes.

Q. Refrigerators?—A. Yes.

Q. Radios?—A. Yes.

Q. Would you say the same fine tolerances were employed in such manufacture as are necessary in the Bren gun?—A. To some extent yes. What I mean by some extent is that there are very fine tolerances demanded in the manufacture of the articles you have mentioned. In the manufacture of Bren guns it happens more often that it is necessary to work to very fine tolerances.

Q. Was it not true that Major Hahn, as supervising those companies, dealt more with assembling than with manufacturing?—A. No. I think he manufactured them. He was known as the manufacturer. He was known as a successful manufacturer.

Q. That was your opinion, based on what?—A. Based on my knowledge of that particular industry.

Q. You know that he closed out that industry and the circumstances under which it had been closed out?—A. Well, at most I would have known that he, as many others, had suffered from the depression.

Mr. BERTRAND: Yes, half of the factories were closed. That does not mean anything.

Mr. MACNEIL: I am not saying it does. I am asking what was the basis of his knowledge.

Mr. McGEER: Is not the best basis of it the success that Major Hahn has made?

Mr. BERTRAND: The company is carrying out its obligations right on schedule to-day; the proof of the pudding is in the eating.

[Major-General L. R. LaFlèche.]

Mr. McGEER: We have the evidence of Mr. Gillespie, who is probably the best experienced man in the whole field of the activity, who says that in his opinion the personnel, the organization of the plant being established under the direction of Major Hahn is going to be more efficient than the British publicly-owned plant at Enfield.

Mr. MacNEIL: In connection with that question I was asking, for instance, we have the statement contained in the letter of October 20th.

Mr. McGEER: What this committee is here for is to ascertain facts, and we happen to have now a sufficient record of performance that goes far beyond anything that might be adduced before the committee in examining the experience of Major Hahn prior to the entry into the contract; because we have the very contract before us and we now have evidence of the successful performance of that contract. Let us assume that Major Hahn had no experience at all.

Mr. MacNEIL: Does Mr. McGeer suggest it is improper to ask a question with regard to the negotiations leading up to the contract?

Mr. McGEER: No. What I am suggesting is that this committee wants the best evidence that it can get. When you have got the evidence of a man like Gillespie, who comes before this committee and says, "I have been associated with Major Hahn from the inception of this thing. I met his men in London. They looked good to me. I come from the British War Office with my experience and I am now able to tell this committee that Major Hahn has produced and is producing a factory that will be more efficient than the Enfield plant itself," what more does the committee want?

Mr. MacNEIL: A great deal more. I am not going to enter into an argument with Mr. McGeer on that point. I am asking a direct question, a leading question.

Mr. Homuth: Mr. Gillespie admitted that the reason they were going to have an efficient factory was because that machinery has been improved since that time; and to-day we are in the position of getting the very latest in machinery whereas in the Enfield plant they are using more or less antiquated machines for much of their work. What we want to find out is whether we are paying too big a price for the manufacture of Bren guns with the establishment of a private industry at public expense?

Mr. Bertrand: We should keep to the question.

Mr. Homuth: That is what we are doing.

Mr. McGEER: The evidence before us on that is very clear. There is no suggestion that the costs here are not going to be a reflection of the efficiency of the organization which is there established.

Mr. Homuth: There is no proof that they are.

Mr. McGEER: It would be a very strange assumption if you are going to say that with the check of Enfield, producing guns for the British government here in a plant with British War Office experts in charge, the British War Office are going to submit to costs which are not fair and reasonable in the circumstances. I mean, the evidence is already quite clear. General LaFlèche has been frank with the committee. He says, "We did not have experience in production. We knew that. We made it perfectly plain to Hahn that we would not give his company a contract unless he could convince the British War Office that he was able to do that work in Canada for them." It was not until Hahn had convinced the British War Office that he was able to do that work here for the British War Office that a contract was ever signed; and the last word that we have is that the contract itself was revised clause by clause by the British War Office before it was signed by the Department of National Defence. In addition to that, there is the Bank of Montreal letter, in addition to the other information we had. No contract was signed by the Department

of National Defence with this firm until the British War Office had said, "Yes, we are prepared, on the evidence which we have received over a year." Because Hahn was negotiating with the British War Office for over a year; and you cannot find any single one bit of information where the Department of National Defence assumed any responsibility at all in any capacity as to Hahn and his associates in that matter.

Mr. GREEN: Oh, now, now.

Mr. MACNEIL: I am always delighted to hear Mr. McGeer's vigorous speeches, but I am not bound to agree with his opinions. At this moment I am asking direct questions that are quite proper within the terms of the reference. I understand why Mr. McGeer is so fearful with the witness on the stand.

Mr. McGEER: I am not fearful at all.

Mr. MACNEIL: And wants to give him protection. General LaFlèche is fair and frank and can quite take care of himself without any interjections by Mr. McGeer. We did not interrupt Mr. McGeer when he was examining the witness.

Mr. GREEN: Go ahead.

The CHAIRMAN: Yes, go ahead.

*By Mr. MacNeil:*

Q. Was the letter of October 20th dictated by you personally?—A. No.

Q. Who was it dictated by?—A. Colonel Orde.

Q. To your knowledge was Colonel Orde in communication with Major Hahn at that time?—A. My information is that he was not.

Q. From what source would Colonel Orde secure this information contained in the letter?—A. I do not know.

Q. You accept responsibility for it?—A. Oh, quite; yes. I just want to add one thing. I refer you to my evidence before Commissioner Davis on that point. There was another point where I had to dig deeply into every possible source of information which I could find to refresh my memory.

Q. Had you any knowledge at that time as to whom Major Hahn's associates were?—A. I have covered everything on that by adding the name of Mr. Cameron as I did yesterday.

Q. Did you at any time before the execution of the contract secure a list of the shareholders of the company?—A. No.

Q. Did the department take any steps to assure themselves as to who was actually in control of the company by securing a list of the shareholders?—A. No, but I had the very definite assurance of Major Hahn and it was a matter of general knowledge that he was the controlling interest and he told me then that he would continue in actual control of that company.

Q. Your decisions then were based on the assurance of Major Hahn who was the contractor?—A. He hoped to be the contractor.

Q. Yes?—A. But what he told me has been borne out by the disclosed facts since.

Q. Did Major Hahn go to London at this time as representative of the John Inglis company?—A. You will have to get that precise information from him. I will give you my understanding of the situation if you like.

Mr. BERTRAND: That is not a question that this gentleman should answer. You had Major Hahn here and you should have asked him that.

Mr. MACNEIL: General LaFlèche made certain representations.

Mr. BERTRAND: That is information, there are no facts as far as he is concerned.

[Major-General L. R. LaFlèche.]



*By Mr. MacNeil:*

Q. To your knowledge was he then head of the John Inglis company?—A. I was satisfied that he controlled the plant, yes; or the company, put it as you like; he was the man who could start that going or keep it from starting up.

*By Mr. McGeer:*

Q. There was no suggestion of doubt that Major Hahn was the John Inglis company?—A. Of course not.

Mr. McGEER: It was known that he was considering the manufacture of the Bren gun in Canada and that he communicated with the British War Office, and obviously he went there for the John Inglis company. I do not think there is any question of dispute about that at all. That has been agreed to over and over again.

*By Mr. Green:*

Q. Did you know that they only had an option on that factory at that time?—A. I accepted that he controlled the situation.

You did not bother to go into the details as to just what position the title was in?—A. I accept the expression "bother" as meaning—I trust you don't mean that I neglected anything there? I was entirely satisfied with Major Hahn at all the different stages and I so found him then and since—I was satisfied with him and his actions at all times at all stages to the extent that I was at any time interested in him.

*By Mr. MacNeil:*

Q. You have some responsibility in the representations that were made to the British War Office, did you not?—A. I signed the letter, yes.

Q. Might I refer to exhibits 137 and 138. One thirty seven was evidently written when you were in London and addressed to the Hon. the Minister and is dated 7-5-37:—

ARLINGTON HOUSE,  
London, May 22nd, 1937.

*The Honourable the Minister:*

Following our discussion earlier in the week, I put a few questions to Major J. E. Hahn and attach hereto his letter of this date concerning the John Inglis Co. of Toronto.

May I request instructions, please.

L. R. L.  
*Deputy Minister.*

That refers to a letter dated the 6th of May, 1937, which reads as follows:—

Dear Colonel LAFLECHE,—With reference to our conversation to-day I have pleasure in confirming your understanding that I represent the John Inglis Company of Toronto having a controlling interest. This company was incorporated in 1860.

My company has been engaged since incorporation in the manufacture and production of steel and engineering equipment. We have acquired further important Canadian rights for new patented sectional steel poles for which there is an important market; it is in this connection that I am presently in England.

It has always been my intention should we be called upon to manufacture the Bren light machine gun in Canada to produce them as a special line in addition to the normal productions of the John Inglis Company.

It may interest you to know that the present plant and equipment of the John Inglis company represents an investment of \$1,800,000.

That was communicated by you to the minister?—A. It was.

Q. Evidently for the purpose of laying it before the officials of the British War Office?—A. I beg your pardon.

Q. Is it proper to assume that that was for the purpose of communicating this information to the British War Office?—A. I wanted to bring this to the attention of my minister. It wasn't up to me—I did not even think he would mention it to the British War Office. I believe I had no thoughts in the matter, as to what he would do with it, so far as the minister was concerned I did not know. Here is a Canadian firm which made a very excellent impression on the British War Office, he was there in December. He gave me this letter and I brought it to the attention of my minister.

Q. Had you up to that time made investigation, or had your department made any investigation to verify the facts of this letter, the information contained in this letter?—A. Well, depending upon the meaning of that question, Mr. MacNeil; do you mean, did I go out and try to check up everything it contained—no. But now, just a minute, please; in a general way I knew and I was satisfied that the statements made therein were correct.

Q. You have given evidence that you knew that the John Inglis Company had closed down; that is true, is it not?—A. Yes, that is right.

Q. And you knew at that time that Major Hahn was not representing the John Inglis Company founded in 1860?—A. It is the same thing, they have their good will. I beg your pardon, now you are entering on a field where I think I know a little bit about the subject in a general way.

Mr. MACNEIL: I would be glad to have your explanation.

Mr. McGEER: Look at the letter of May 22nd?

Mr. GREEN: Let General LaFlèche answer the question.

Mr. MACNEIL: Yes, I am coming to that letter.

Mr. McGEER: Look at it, that letter also was handed to the minister.

Mr. GREEN: Let the General answer the question.

Mr. MACNEIL: I should be glad to have the General's explanation. I am not arguing that in any way, I am trying to make the position clear.

Mr. BERTRAND: We have a right to say a word once in a while.

Mr. MACNEIL: If you want to argue it now, we are quite ready to do so.

Mr. BERTRAND: It is just an easy way to avoid argument, asking for this letter which you read just a moment ago—

Mr. McGEER: The letter of May 20th disclosed the fact—

Mr. MACNEIL: I was just coming to that, if Mr. McGeer would be patient. I would like to get from General LaFlèche his explanation on this point.

The WITNESS: Your statement was based on the statement in Major Hahn's letter dated the 6th of May, 1937, which was read a moment ago: "This company was incorporated in 1860." I stated that in my mind it was the same thing; and then I said there appeared to be the possibility of a different opinion, I stated that I had a general knowledge of the company, and the feeling that, as I said, I was satisfied with that statement. The company was started in 1860.

Q. Not the company represented then by Hahn?—A. Pardon me.

Mr. BERCOVITCH: After all, all of us know that a company never dies. A company is always in existence until it is wound up by an order of the court.

Mr. GREEN: This company died.

Mr. BERCOVITCH: No, it did not. Its charter was not surrendered. A company cannot be wound up except by an order of the court, however, it may happen that the shareholders may change, and of course they did in so far as this company was concerned; but a company never dies until it is wound up by an order of the court.

[Major-General L. R. LaFlèche.]

Mr. GREEN: Then, to keep the record straight, I do not think we can get away from the fact that this old John Inglis Company did not have anything to do with the Hahn company which subsequently got the name. That was a new company incorporated by Hahn and his associates in the fall of 1936 and not even incorporated under this name; they did not get the name until after General LaFlèche had been in England in 1937. They are not the same thing at all.

Mr. BERCOVITCH: It was the old John Inglis plant, it was the old John Inglis machinery, and they now have the old John Inglis personnel, and they took advantage of the personnel of the old John Inglis Company.

Mr. GREEN: This is different entirely, it was a new undertaking. It had nothing whatever to do with the old company. The letter is obviously inaccurate. There may have been no harm following, but the letter is obviously inaccurate when it states that this was the company incorporated in 1860. It was inaccurate in 1936, actually.

Mr. HOMUTH: They had four different companies before that, before they got the name of the John Inglis Company.

Mr. BERCOVITCH: Suppose they did, they acquired the assets of the old John Inglis Company.

Mr. HOMUTH: Oh, they acquired the company for the purpose of stock manipulation.

Mr. BERCOVITCH: No matter how much you turn it around it is still the John Inglis Company, and the John Inglis Company's assets; it is the John Inglis Company first, last and all the time.

Mr. HOMUTH: Oh yes, that is the way you try to put it.

Mr. BERTRAND: That is a matter for argument.

The CHAIRMAN: Where were we, Mr. Green?

Mr. GREEN: Mr. MacNeil was putting some questions to the witness.

*By Mr. MacNeil:*

Q. Is it not correct, you gave evidence previously, General LaFlèche, that you were aware of the new company formed in 1930 to take over the assets of the old John Inglis Company?—A. I knew a group had been formed to take over the John Inglis Company, yes.

Q. You knew in 1936 that the old John Inglis Company was in receivership?—A. I knew that the plant had been closed down in I believe April of 1936, several months before this time.

Q. Did you take any steps to verify the statement that the John Inglis Company referred to in this exhibit represented an investment of \$1,800,000?—A. I knew from my general ideas of the value of organizations of that kind that the figure presented was a reasonable figure to cite as the amount of the investment placed in that plant.

Q. You knew also that it was not the investment of Major Hahn and his associates?—A. I knew the value was there. I knew that the investments were reasonably up to that mark, and they are; they were and they are.

Mr. MACNEIL: Evidently Mr. McGeer wanted to follow up there on exhibit 138 and perhaps I had better put it on the record. It is a letter addressed to the Honourable the Minister under date of May 22nd, 1937—

The WITNESS: Have you the exhibit number?



Mr. MacNEIL: It is exhibit No. 138, addressed to the minister from Arlington House:—

Following our discussion earlier in the week, I put a few questions to Major J. E. Hahn and attach hereto his letter of this date concerning the John Inglis Co. of Toronto.

May I request instructions, please.

L.R.L.,

*Deputy Minister.*

And to that is attached a letter from J. E. Hahn, dated the 22nd of May, 1937, reading as follows:—

Dear Colonel LaFlèche:—The John Inglis Company was founded in 1860 by the late John Inglis and was carried on by members of the family until some time after the death of the son, the late John Inglis, in February, 1936.

In May, 1936, negotiations were opened by me, associates and myself for the acquisition of the assets of this company. In July, 1936, the arrangement was consummated whereby my associates and myself acquired the plant, machinery, name and goodwill of the John Inglis Company. An analysis of the company's operations showed during the period 1913-1936:—

1. Sales .....	\$26,921,349.30
2. Net trading profit .....	2,751,852.47

Our plan of operation consisted of—(1) making a complete analysis of the company's sales and profits and dropping non-profitable lines whilst continuing production of all profitable existing lines. A new line has been added, namely the manufacture of patented steel poles—(2) completion of budgets covering the production under the following headings:—

1. Boilers high and low pressure tanks;
2. Engines;
3. Bridge and structural steelwork;
4. Machinery;
5. Special steel production.

While the preceding was under completion, it was found necessary to give the plant a complete overhauling. In October, 1936, during this period of plant overhaul contact was established with the Department of National Defence and an investigation undertaken with regard to the manufacture of the Bren gun.

It was by common consent found very promising. In December, 1936, an initial concrete proposal for the manufacture of the Bren gun in my plant was submitted to the Department of National Defence, since when the matter has remained under further study and negotiation. It is clear that my company can manufacture the Bren gun economically and perhaps more rapidly than any other except the Lee Enfield plant in England, which, it is known, is now overtaxed and will not be able to produce all the Bren guns required by the government of the United Kingdom. This particular statement is subject to confirmation by yourself and is offered in confidence.

[Major-General L. R. LaFlèche.]

We have been ready to proceed with the manufacture of the Bren gun since our proposal was submitted in December, 1936. I would very much appreciate being advised of the department's decision.

Yours very faithfully,

J. E. HAHN.

*By Mr. McGeer:*

Q. Did you take steps to verify the information contained in this letter?—A. I was satisfied with what he gave me, and I had known of the readiness of a Canadian chartered bank to finance the operation of the Bren gun in the amount—I will state it—of about a million dollars as of the preceding month of December—that is in 1936. I knew also, I was satisfied following my discussions with the war office officials that they were quite satisfied with Major Hahn and his company and everything having to do with everything required to satisfy them.

*By Mr. Bertrand:*

Q. At this time did you have any reason to believe that you should not have been satisfied then?—A. None at all, it was going along very well.

*By Mr. MacNeil:*

Q. Was this the form in which the information regarding Major Hahn and his associates was communicated to the British War Office?—A. Communicated by whom, may I ask?

Q. By your department?—A. I think you are taking something for granted, that my department did communicate such details to the war office.

*By Mr. McGeer:*

Q. Well, did you?—A. No.

Mr. McGEER: That is what we wanted to know.

The WITNESS: I just stated that a moment ago.

Mr. McGEER: I mean to say, answer the question yes or no and then we will have it clearly on the record.

The WITNESS: I just stated a moment ago I was satisfied that the war office had gone into his capacity, standing, and so forth and so forth.

Mr. McPHEE: There is positive evidence by Major Hahn to that effect.

Mr. MACNEIL: To what effect?

Mr. McPHEE: That they had investigated in Canada the financial standing of Major Hahn and his capacity to go ahead with the contract.

The WITNESS: You will find that that was done quite independently of my department.

*By Mr. MacNeil:*

Q. Were you aware that Major Hahn had communicated this information in this form to the British War Office?—A. I don't recall that I did, unless it is stated in the correspondence.

Q. Were you asked to corroborate this in any way in discussions that took place with the war office?—A. No, they were satisfied about it.

Q. Did the war office request you to investigate Hahn?—A. No. I told you that when I went to the war office in London, if not the first visit then on the second, they were then quite satisfied with him; and I had it clearly that they were satisfied with him.

*By Mr. McGeer:*

Q. Did the British War Office or any of the officials ask you to recommend Major Hahn as a contractor capable of manufacturing the Bren gun in Canada at any time?—A. No. They were satisfied, I repeat, with him when I first met the war office officials.

Q. If I may come back to this letter of May 22nd, which is an enclosure to the minister in a letter of May 22nd from LaFlèche to the Honourable the Minister and is in as exhibit 138. Major Hahn makes this statement:—

It is clear that my company can manufacture the Bren gun economically and perhaps more rapidly than any other except the Lee Enfield plant in England, which, it is known, is now over-taxed and will not be able to produce all the Bren guns required by the government of the United Kingdom.

Mr. BERCOVITCH: To whom was that letter addressed?

Mr. McGEER: It was sent by Major Hahn to General LaFlèche.

Mr. BERCOVITCH: What is the date of it?

Mr. McGEER: It is dated the 22nd of May, 1937, and it is in as exhibit 138.

*By Mr. McGeer:*

Q. You were aware when you received that statement of Major Hahn's proposals as to how the Bren gun should be manufactured—they were made to your department in 1936, were they not?—A. Yes.

Q. And these proposals clearly indicated that all the machinery and equipment would have to be purchased and established and the Bren gun manufacturing plant set up; you knew that?—A. Yes, if they were to be made in Canada.

Q. Were you deceived by this letter into believing that Major Hahn was representing to you that he had a plant already set up in the John Inglis company to manufacture Bren guns?—A. Oh, certainly not.

Q. That is the representation?—A. I see.

Q. that is presumed to be made; but when he stated this to you that he had this plant you knew exactly what equipment there was available in the John Inglis company plant to manufacture Bren guns?—A. I knew in a general way; but I come back to this readiness of a certain chartered bank to finance him.

Q. I am not talking about a chartered bank; what I want to get at is did Hahn not get his information which was given to you to equip the John Inglis plant from the British War Office officials in charge of Enfield?—A. He did, and they were the only source of that information.

Q. And was there any possible chance in the light of the information that Hahn had, and his negotiations with the British War Office with which he was engaged in bringing about this contract, that he was not aware that before Bren gun production could be undertaken in the John Inglis plant a full line of machinery would have to be established in the plant necessary for the manufacture of these guns?—A. There was not.

Q. The next point I want to get at—

Mr. GREEN: Before you leave that letter—

Mr. McGEER: I want to complete this thing, and then I will come back to the letter; if you don't mind.

*By Mr. McGeer:*

Q. At the same time that this letter was written by Major Hahn to you and forwarded to the minister on May 22nd there was other information forwarded to the minister, was there not?—A. There was what?

[Major-General L. R. LaFlèche.]



Q. May I draw your attention to exhibit 139?—A. That is just what I was coming to. Shall I read that?

Q. Yes.—A. It is a cablegram addressed to me in London from Mr. H. F. Skey, Manager of the Bank of Montreal, Toronto. It is dated May 21st and reads:—

In regard to Major J. H. Hahn we have had business dealings with him extending over many years and he is held in high regard by us and generally Stop Is a man of substantial means good character integrity initiative and possesses good ability of an executive and organizing nature Stop Has recently been engaged in efforts for the resumption of activity of the John Inglis Company following death of John Inglis.

Q. That information was also communicated to the minister at the same time the letter of May 22nd was sent, was it not?—A. Well, it was brought to the attention of my minister.

Q. In London at that time?—A. At that time.

Q. Was it brought to the attention of any of the other ministers in London at that time?—A. Unless it would be Mr. Dunning. The documents will have to speak for themselves.

Q. Well, exhibit 140—

Mr. BROOKS: Now, could we go on with this other matter?

Mr. McGEER: We are just following that, exhibit 140, which reads:—

ARLINGTON HOUSE,

May 25th, 1937.

SIR,—My minister has desired me to forward the enclosed letter, dated 22nd May, 1937, addressed to me by Mr. J. E. Hahn on behalf of the John Inglis Company of Toronto, for your information and return to Mr. Mackenzie, please.

I have the honour to be,

Sir,

Your obedient servant,

L. R. L.

Hon. Chas. A. Dunning,  
Arlington House,  
London.

Copy for the Hon. the  
Minister. 25-5-37.

The WITNESS: And I sent a copy of that letter to my own minister at the same time.

Mr. McGEER: And now, we come to exhibit 142.

Mr. BROOKS: Now, Mr. Chairman, before we go that far away from this exhibit of May 22nd I am going to ask some questions.

*By Mr. Brooks:*

Q. Take the last paragraph of that letter of May 22nd; it states:—

We have been ready to proceed with the manufacture of the Bren gun since our proposal was submitted in December, 1936. I would very much appreciate being advised of the department's decision.

Mr. Green asked General LaFlèche if he did not know that they could not proceed with the manufacture of Bren guns, and he said yes; which will be quite obvious, I am sure.

Mr. McGEER: I did not say any such thing, and I certainly object to that type of cross-examination.

Mr. BROOKS: You did so.

Mr. McGEER: I want to correct it, I did not.

Mr. BROOKS: We will accept your statement, it does not make a bit of difference.

Mr. McGEER: No, but these misstatements, misrepresentations, have been going on the record indefinitely and it is about time that they stop.

Mr. BROOKS: You put on more than anybody else.

Mr. McGEER: Now, Mr. Chairman, I would like to have that record correct. My question to General LaFlèche was, did he not know at the time that letter was made that it would be necessary to establish a full line of machinery in the John Inglis plant before the Bren gun manufacture could be undertaken; and he said, yes. Now, to put this other proposition is entirely contrary to the facts.

Mr. BROOKS: Might I go on with my questions, Mr. Chairman?

*By Mr. Brooks:*

Q. It was quite obvious to you, General LaFlèche, that it was impossible for Major Hahn's or any other company in Canada to manufacture Bren guns until they had the machinery, dies and all the other equipment; is that not correct?—A. It was obvious to me, yes.

Q. And this statement, "we have been ready to proceed with the manufacture of Bren guns since October" was made on the 22nd of May, was absolutely incorrect?—A. No. It was quite correct.

Q. Quite correct?—A. Yes. In this way, that when the government provided them with the machinery, when the government provided them with the tools, dies and jigs, and so on, then they would proceed with the actual production.

Mr. GOLDING: Which everybody knew had to be done.

Mr. BROOKS: Is that not correct?

The WITNESS: I am sorry, but would you please repeat your question.

*By Mr. Brooks:*

Q. Could they on May 22nd have manufactured Bren guns; was the John Inglis company in a position to manufacture Bren guns at that time?—A. They were not, not right at that time.

Q. Certainly they were not.—A. They were not ready to begin the production of guns at that time; that is quite right.

Q. No; and they had no machinery until the government purchased it, is that not correct?—A. They had not the machinery until—as it was later decided—until the government provided it.

Q. Until they had the dies, tools, and other equipment; until the government provided it?—A. They had no dies, tools and jigs with which to begin actual production, that is quite right.

Mr. BERTRAND: And no one else had either.

*By Mr. MacNeil:*

Q. They were not engaged in any commercial operation until after the acquisition of the contract?—A. I did not know that. I have heard about it since. At that time I did not know. I knew they wanted to get into production as quickly as they could.

Q. You knew that the plant was idle?—A. Yes, I think the company's plant was idle, that it had been idle since April of 1936; and I did not know to

[Major-General L. R. LaFlèche.]

what extent if any it had been opened up; but I did know very definitely that Major Hahn in London was taking on other business matters than the Bren gun. He mentions that in his letter. He told me what these things were whilst we were in London, in conversation. The contents of the last sentence of the letter dated the 22nd of May, 1937, addressed to me by Major Hahn seems not to be understood, or we don't seem to understand it the same way. May I just say in respect to this phrase, "We have been ready to proceed with the manufacture, etc."; that meant that they were ready to proceed with the manufacture, and in my mind that meant that they were ready to take the initial steps which after they had been accomplished would lead at some stage to the actual first cutting of steel. By the way, that is the point they have reached now, they are cutting steel now in the plant.

*By Mr. Bertrand:*

Q. Was anybody else in Canada prepared to start the manufacture of Bren guns?—A. Certainly nobody more than these people.

*By Mr. Green:*

Q. You knew that all they had was a nice boiler factory?—A. No, I do not agree with that at all.

Mr. GOLDING: Order! That is not right.

Mr. McGEER: A machine shop.

The WITNESS: I knew that they had an organization that had done a big business; that organization had been very well known and to myself for many years. They had an organization that was still known all over Canada.

*By Mr. McGeer:*

Q. You had the letter of May 22, which says that from 1913 to 1936 this firm had done \$26,921,349.30 worth of business, and the letter states that their business was:—

1. Boilers, high and low pressure tanks.
2. Engines.
3. Bridge and structural steelwork.
4. Machinery.
5. Special steel production.

A. I had it right there; but I may say that I knew of this company, of this organization, before the war when I was a banker. I knew the standing of it.

Q. And you had that right in this letter?—A. I had that.

Mr. McGEER: This letter conveyed the impression that there was (1) a boiler plant; (2) an engine plant; (3) a bridge and structural steelwork plant; (4) a machinery plant; and (5) a special steel production plant. And we as a committee went to the factory and examined those very things. Yet it is still a broken down boiler factory.

Mr. MACINNIS: We are dealing with the letter of May 22, which Mr. McGeer has referred to.

Mr. HOMUTH: You think you are going to get away with that.

Mr. McGEER: You are not.

Mr. BROOKS: It is a good thing you got hold of that. You have worked it to death. You got something to grab hold of and you have worked it to death. I do not blame you.

The CHAIRMAN: Order, order. Mr. MacInnis wishes to ask the witness a question.



*By Mr. MacInnis:*

Q. General LaFlèche, Mr. McGeer has pointed out to you that from 1913, according to this letter of May 22, 1937, the plant had produced goods to the value of over \$26,000,000?—A. Yes.

Q. Did you gather from this letter that from April, 1936, until May, 1937, the factory had not produced anything at all?—A. No, I did not gather that from this letter.

Q. That was not explicit from the letter as was the other?—A. No; you are quite right. But it was plainly stated in this correspondence that the company—that the business of the organization had run down and that is why he was taking it over, to re-open that plant.

Q. I do not notice where that is plainly set out, but we can get at that again. I direct your attention to the first paragraph of this letter.—A. Beginning with "our plan"?

Q. Yes. It reads:—

Our plan of operation consisted of—(1) making a complete analysis of the company's sales and profits and dropping non-profitable lines whilst continuing production of all profitable existing lines.

Would that not convey the idea that the company was at that moment engaged in certain operations, some that were non-profitable and some that were profitable?—A. No.

Q. And that the non-profitable ones were to be dropped and the profitable ones were to be continued.—A. No.

Q. Is that not explicit in the paragraph?—A. No. I did not take it that way. It was proof to me that here was a man who was going into this business, re-opening this organization and getting things going again seriously and methodically and in a way that promised success to the new management.

Q. If you did not know anything about this plant at all—we are assuming that you did, but suppose you did not know anything about this plant at all—what would this paragraph convey to you?—A. As I said a moment ago, it looked like the planning of a very serious and competent man.

Q. Did you have the idea that here was a going concern at the present time and manufacturing certain lines some of which the manager had come to the conclusion were not profitable and some of which were profitable; is not that about the implication of this paragraph?—A. I could not take it as such, Mr. MacInnis.

Q. And then he comes to the other point, "a new line has been added, namely, the manufacture of patented steel poles," which was going to be added to the profitable business the plant already was doing?—A. I knew he was in London to negotiate business in that connection.

Q. Did you know that this plant was not opened by the John Inglis company under its new management until April of 1938, the day after the contract for the Bren gun had been signed?—A. Well, what I know—what of absolute fact, of complete fact, I knew—I know now. What I knew at any particular given moment is not now very clear in my mind, but I knew all the time they were working towards getting this thing going again. I know that they held up their final decision for a very long time waiting for a decision from the war office and from my department. I knew that, I was told that from time to time. They were having to wait for a decision from the war office which would permit us to make our decision, and they were, to say the least, being very seriously inconvenienced.

*By Mr. MacNeil:*

Q. General LaFlèche, at this stage you were engaged in encouraging the British War Office to place complementary order with Major Hahn and his associates, were you not?—A. On the 22nd of May?

[Major-General L. R. LaFlèche.]

Q. Yes.—A. I did not have to encourage them because I was told definitely that the war office officials wanted to do that. I had been told that perhaps about two weeks before that date. I also knew at that time why the wishes of the war office officials were not being proceeded with immediately, the final decision had to have the support and concurrence of other departments in the government of the United Kingdom than the war office; but there was not the slightest doubt left in my mind after speaking to the war office officials that the war office officials wanted to deal with Major Hahn.

Q. To put it another way, you were an interested party as you have already testified in getting the manufacture in Canada, preferably with Major Hahn and his associates?—A. At that time I knew that if the war office placed an order in Canada my problem in connection with Bren guns was solved. We would have in Canada a source of supply through which we could obtain the guns at reasonable cost by the sole reason of the placing of an order in Canada by the war office.

Q. Do you say that you did not encourage the war office at this stage to place the complementary order with Major Hahn?—A. Sure I encouraged them, but I did not need to encourage them. Here were two possible purchasers and both purchasers knew of the very great benefits in saving of money and other benefits that would accrue to the two purchasers if both potential purchasers were to deal with the same firm. That was apparent back in 1936, actually, in this case.

Q. I suggest then that you had some responsibility with regard to the character of the information conveyed to the British War Office?—A. Well, what information conveyed to the British War Office?

Q. With regard to the financial set up, the corporative set up of Major Hahn and his associates.

Mr. McGEER: That is evident from exhibit 145.

Mr. BERTRAND: Is there anything from the British War Office to that effect?

Mr. McGEER: Doesn't that answer your question?

*By Mr. MacNeil:*

Q. Is it not a reasonable deduction to make from the exhibit before us that the impression conveyed to the British War Office was that it was a going concern?—A. The true facts are that nobody ever told the war office that it was a going concern. I refer you to the records of the Davis enquiry wherein you will see photographs, a number of photographs, of an idle plant.

Mr. McGEER: Just on that point, I should like to refer to exhibit 142. This is a letter to yourself from Major J. E. Hahn, which says—

Mr. GREEN: What is the number?

Mr. McGEER: It is exhibit 142. It reads:—

Dear Colonel LaFLECHE,—A meeting was held this morning and the following were present:—

Sir Harold Brown, D.G.M.P.

What does D.G.M.P. signify, General LaFleche?

The WITNESS: Director General of Munitions Production.

Mr. McGEER: Continuing:—

Mr. Bedford, Assistant Director of Contracts, and Mr. Robinson, Superintendent of Royal Small Arms Plant.

The proposal "A" submitted had been reviewed and the following is a résumé of the points brought up.

The point I want to refer to is that this proposal "A" was the proposal "A" submitted to the Department of National Defence in December, 1936, was it not?

The WITNESS: I think so.

Mr. McGEER: I want to refer you to exhibit 145. That is also a letter from Major J. E. Hahn to yourself dated 3rd of June, 1937. The first paragraph reads:—

Dear Colonel LaFLECHE,—1. A survey of Bren gun costs and production has been made at Enfield by myself. A complete investigation and survey of material, personnel and production facilities in Canada for such manufacture has been completed on the basis of a completely self-contained Canadian unit with a capacity of 2,500 Bren guns per annum single shift. The resulting data and information have been reviewed by the officials of the Royal Small Arms Plant and, I am informed, are considered sound and reasonable.

Now I want to refer you to your letter to Sir Harold Brown, I think it was June 4. Have you got a copy of that exhibit, Mr. Fraser? That is the letter enclosing draft proposals submitted by Hahn to General LaFleche in London.

Mr. FRASER: Exhibit 142.

Mr. McGEER: I should like to read the whole of exhibit 145, if I may. Exhibit 145 continues:—

2. We are prepared to manufacture the Bren gun on a cost-plus basis in accordance with the enclosed draft agreement which represents a crystallization of our discussions and which would afford provision for a complete supervision by your department of all purchases, production, costs and inspection. It will interest you to know that according to my estimates, the net profit, before federal income tax is taken into consideration, would be approximately 5.4 per cent.

3. It is planned to manufacture 1,000 Bren guns in the first year of operation, 3,000 the second year and 6,000 guns in each succeeding year. I have been advised by the officials of the Royal Small Arms Factory at Enfield to allow twenty-four months for the completion of tooling and installation of equipment preparatory to production. However, the continued advice and assistance of these gentlemen will undoubtedly tend to enable us to hasten production.

*By Mr. McGeer:*

Q. And the draft agreement is then enclosed. Do you remember that?—

A. Yes, I do, sir.

Q. That is the first proposed contract for the production of Bren guns. Is that right?—A. In that form.

Q. In that form.

Mr. GREEN: There had been other proposals before.

Mr. McGEER: I mean, in this form. I mean to say, this is getting right down to contract form.

*By Mr. McGeer:*

Q. In general form, this document referred to in the letter of June 3, exhibit 145, and attached as part of that exhibit, is a complete contractual proposal?—A. That is right.

Q. It is a condition of the contract?—A. That first draft of another contract that came to the department?

Q. In that form, yes.—A. Yes. I am going back to the report of December, 1936, which after all while it was not a draft contract contained in so far as they were able to do it at the time the basic information that would have to be considered if anything were done further about the matter.

[Major-General L. R. LaFlèche.]



Q. This proposal of Major Hahn's was then presented on June 4th by you to whom?—A. To Sir Harold Brown.

Q. This proposal contemplates the purchase and installation of all the machinery that has been purchased and installed since?—A. Yes.

Q. This contract was prepared in London, this draft contract?—A. If so, not by me.

Q. No, no; I say, do you know where it was drafted?—A. I do not now know where it was drafted.

Q. Well, in any event, all the information as to the requirements of the John Inglis company for machinery and equipment which has since been installed is included in the contract, because it is provided for?—A. Yes, it provides for the machinery, dies, tools and so forth.

Mr. HOMUTH: But the cost of the machinery and everything else in connection with it was just an estimation?

Mr. McGEER: But it was the estimate after, as Major Hahn says, the review of the officials of the royal arms plant and concurred in by them.

Mr. HOMUTH: It is still an estimation.

Mr. McGEER: It was an estimation by the British War Office.

Mr. HOMUTH: That is all right.

Mr. McGEER: What you people are saying is this, that General LaFlèche and Major Hahn are guilty of misrepresentations which induced the contract. That is your charge.

Mr. GREEN: Don't try to tell us what we are saying. We can speak for ourselves.

Mr. BERCOVITCH: Apparently they don't know what they are saying.

Mr. McGEER: Well, I agree with you on that. I mean, this examination is being conducted to get at the root of the charges.

Mr. GREEN: You don't need to tell us what we charge or what we are saying.

Mr. HOMUTH: Any charges we want to make we are quite capable of making for ourselves, and we do not need any assistance from you, we can make them ourselves.

Mr. MACNEIL: What are you trying to bring up now?

Mr. McGEER: I am trying to place before the committee all the pertinent facts.

Mr. HOMUTH: So are we.

Mr. McGEER: Well, we are very glad to be able to help you do it.

Mr. HOMUTH: We don't need any help from you, we can look after these things for ourselves.

Mr. McGEER: If you dislike this information I suppose I don't have to keep on.

Mr. HOMUTH: We don't dislike any information which you would like to put in the record.

Mr. McGEER: I object to a man like General LaFlèche who has given such assistance to the establishment of production of this type of equipment in Canada being pillaried in the way it is being done here.

Mr. MACNEIL: Who is being pillaried?

Mr. GREEN: We are not pillarying anybody.

Mr. HOMUTH: If Mr. McGeer thinks he can get away with anything like that in this committee just let me tell him he is not going to get away with it.

Mr. BROOKS: The only charge that has not been discussed in this committee is the charge of the Light Brigade, which history tells us was most unfortunate.

*By Mr. McGeer:*

Q. There is one question I would like to ask you in respect of this clause?—  
A. Yes, sir.

Q. You remember the incentive clause—

Mr. GREEN: That opens up an entirely new subject. We were to close this inquiry at 12.30 this morning. That was understood.

The CHAIRMAN: Is this a relevant question, Mr. McGeer?

Mr. McGEER: Yes, I have just a few questions along this line.

Mr. HOMUTH: If he is going to ask that question it is very likely to lead to the asking of a lot more.

Mr. McGEER: This matter first came up, the evidence before us is that it was recommended by the sub-committee or the interdepartmental committee—you would not mind sitting down, would you, Mr. Chairman?

The CHAIRMAN: No, no, I won't mind sitting down; in fact I am glad to sit down.

Mr. McGEER: If it is not wanted in the record I do not want to put it on, but I would like to have it on if I may. This thing to me is a serious matter, and I think it is pretty nearly time that this committee began to act a little seriously—

Some Hon. MEMBERS: Hear, hear.

Mr. BROOKS: We agree with you whole-heartedly.

*By Mr. McGeer:*

Q. That was in the British contract but it was not in the Canadian contract; or, in the British draft contract but not in the Canadian draft contract that went before the interdepartmental committee?—A. That is right, it is customary in England.

Q. You were opposed to that clause going in?—A. I was.

Q. Why?—A. Because it opens up the question of the possibility of a larger profit than the stated limited one.

Q. And you as chairman of the interdepartmental committee and deputy minister of national defence, although you were opposed to that provision going in, were overruled by a majority of the interdepartmental committee?—A. I was; and I agreed with my committee when we found means of giving, of putting the incentive clause into the Canadian contract largely because the British wanted it done; and at the same time it was found possible to safeguard my point of view, that is of not making it permissible to increase the stated limited profit. We were both satisfied.

Q. You understood that, notwithstanding the operation of the incentive clause, the overriding limit of \$267,000 profit was not to be changed?—A. Very definitely. That is why I agreed.

Mr. GREEN: \$450,000.

The WITNESS: \$267,000.

Mr. McGEER: \$267,000 is the amount affected by the incentive clause in the Canadian contract.

*By Mr. Homuth:*

Q. But it was not until after the article appeared in Macleans Magazine, General LaFlèche, that it was definitely cleared up as to just what profit would be made, was it?—A. There was never any doubt in the mind of either party to the Canadian contract on that point. The article did arouse a doubt in the public mind and we simply had it stated in writing—we simply stated in writing or had stated in writing what had been the original, unanimous understanding.

[Major-General L. R. LaFlèche.]

*By Mr. Green:*

Q. Is this the letter you referred to, General LaFlèche, on the first page of the contract, dated September 3, 1938, which was after the Maclean article had appeared and which is addressed to yourself and reads as follows:—

Dear Sir,—In our negotiations with the government of Canada concerning the manufacture of the Bren gun it was our intention that the over-riding profit which would in any event accrue to us should not exceed the sum of \$267,000, and this was the understanding of both parties.

It is possible, however, that section 6A of the agreement dated March 31, 1938, between ourselves and the Crown, might be susceptible of being so construed as to allow us a large over-riding profit should the amounts representing 10 per cent on actual manufacturing costs as defined in the contract plus 25 per cent of the difference between said actual manufacturing costs and the "standard cost" when fixed, amount in the aggregate to a sum exceeding the said \$267,000. In the actual carrying out of the contract it is most improbable that such would be the case; but, in order to avoid any possible misunderstanding with respect to our intention and what we have always understood to be the intention of the government, it would be well in our opinion immediately, and before production actually commences, to place the matter beyond any doubt.

Consequently, on behalf of the company, I beg to confirm the understanding which was reached by the respective parties in the negotiations leading up to the making of the contract that the maximum over-riding profit payable to the company, both with respect to the pre-production and to the production periods, including in the case of the latter the 25 per cent of the difference, if any, between actual manufacturing costs and the standard cost referred to in section 6A, shall not exceed the sum of \$267,000.00.

We would suggest that, for greater clarity, the agreement of the 31st of March, 1938, might be amended accordingly, and if you concur, we suggest that a draft in this regard be prepared by the department and submitted to us for examination.

Yours very faithfully,

JOHN INGLIS CO. LIMITED

(Sgd.) J. E. HAHN,

*President.*

That is the letter that was obtained as a result of the complaint of the article in Macleans?—A. That was the letter obtained for the purpose of recording the unanimous original opinion of those concerned, following the production of the article in question; quite right.

Q. Has there been a change in the actual agreement itself?—A. There has not been. On legal advice, it was found unnecessary to do so.

Q. You are simply relying on this letter?

Mr. McGEER: I think it is a matter of argument, in my humble opinion, that letter of November was necessary to an actual interpretation of this contract.

The WITNESS: I have been told that too.

Mr. SLAGHT: They tried to close a plant engaged in the production of munitions for the empire.

Mr. GREEN: Oh! Where did you come from?



Mr. SLAGHT: My friend does not like that, because his leader and his associates have consistently tried to close plants engaged in the production of munitions for the empire.

Mr. HOMUTH: It is the same old story, speeches for the record.

The CHAIRMAN: Order, gentlemen.

Mr. MACNEIL: We haven't decided this matter about calling Colonel Drew.

The CHAIRMAN: We agreed to adjourn at 12.30.

Mr. MCPHEE: I think we should have this information clear on the record. We will get a lot more information before we are through. I hate to be accused of a misstatement. I made the statement a little while ago that the war office thoroughly investigated the Inglis Company in this country before the contract was entered into. Mr. Homuth disputed that and said that the only investigation they made was through the Department of National Defence. What is the evidence? I would like to straighten it out. At page 485 of the record Mr. MacNeil was asking questions of Major Hahn, and he said:—

Q. Might it not be held with some justification then that you were a representative of the old John Inglis company started at appraisal of approximately a million and a half dollars?—A. Of the old John Inglis Company?

Q. Yes?—A. No, not at all, because it was known to the defence department here, it was known to the war office, that we had purchased the assets of this company which had been in receivership; and I can assure you that the war office very thoroughly investigated the whole thing here and knew every phase of what was going on. I knew every phase of what was going on.

Q. May I ask through what agency they made that investigation?—A. I would prefer not to disclose that unless you press it. But I am willing to make that statement under oath. I know that they investigated through certain sources here in Canada in connection with myself and in connection with John Inglis company.

Q. May I ask this question; was it through sources independent of the Canadian government?—A. Oh, yes; they were all independent of the Canadian government.

Surely that answers that.

The CHAIRMAN: Order, gentlemen, in view of the fact that the steering committee is going to meet I suggest that we adjourn and that we leave the date of our next meeting to the call of the chair.

The committee adjourned at 12.50 o'clock p.m. to meet again at the call of the chair.











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Canada. Public Accounts, Standing Committee

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SESSION 1939  
HOUSE OF COMMONS

STANDING COMMITTEE

ON

# PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

RESPECTING

## THE BREN MACHINE GUN AND OTHER ARMAMENT CONTRACTS

No. 25

TUESDAY, MAY 30, 1939



WITNESSES:

Horace T. Hunter, Esq., President, The Maclean Publishing  
Company, Limited.

Lieut.-Colonel George A. Drew, K.C.

OTTAWA  
J. O. PATENAUDE, I.S.O.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1939





## MINUTES OF PROCEEDINGS

TUESDAY, MAY 30, 1939.

The Standing Committee on Public Accounts met at 11.15 o'clock a.m., the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Anderson, Beaubien, Bercovitch, Bertrand (*Laurier*), Black (*Chateauguay-Huntingdon*), Bothwell, Brooks, Brown, Douglas (*Weyburn*), Dupuis, Factor, Fleming, Fournier (*Maisonneuve-Rosemount*), Francoeur, Glen, Golding, Grant, Green, Homuth, Isnor, Leader, MacInnis, MacNeil, McDonald (*Pontiac*), McGeer, McKinnon (*Kenora-Rainy River*), McLean (*Melfort*), McPhee, Marshall, Patterson, Purdy, Rickard, Slaght, Stewart, Taylor (*Norfolk*), Thauvette, Tremblay, Wood.

*In attendance:* Mr. Horace T. Hunter, President, The Maclean Publishing Company, Limited; Lieut.-Colonel George A. Drew, K.C.

The Chairman reported that at a meeting of the Sub-committee on Agenda held on Friday, May 26, it had been decided to accede to the request of Mr. Hunter and Colonel Drew that they be given an opportunity to be heard by the Committee regarding the circumstances leading up to the publication of the article on the Bren machine gun contract in Maclean's Magazine; and that Mr. Hunter had accordingly been notified that he and Colonel Drew would be heard to-day.

Mr. Hunter was called; read a prepared statement setting forth the circumstances leading up to the publication of the article entitled "Canada's Armament Mystery" in the issue of Maclean's Magazine dated September 1, 1938; and was questioned thereon.

At 1 o'clock p.m. the Committee adjourned until 2.30 o'clock p.m. this day.

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### AFTERNOON SITTING

The Committee resumed at 2.30 o'clock p.m., the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Beaubien, Bercovitch, Bertrand (*Laurier*), Black (*Chateauguay-Huntingdon*), Blanchette, Brooks, Brown, Douglas (*Weyburn*), Dupuis, Factor, Fleming, Fournier (*Maisonneuve-Rosemount*), Francoeur, Fraser, Glen, Golding, Goulet, Grant, Green, Homuth, Isnor, Leader, MacInnis, MacNeil, McCann, McDonald (*Pontiac*), McGeer, McKinnon (*Kenora-Rainy River*), McLean (*Melfort*), McPhee, Marshall, Purdy, Rickard, Slaght, Stewart, Taylor (*Norfolk*), Thauvette, Tremblay, Wood.

*In attendance:* Mr. Horace T. Hunter and Lieut.-Colonel George A. Drew.

Examination of Mr. Hunter was continued.

*Exhibit No. 15:* Mr. McGeer filed a volume of photographs of the plant of the John Inglis Co. Limited.

At 6 o'clock p.m. the Committee adjourned until 9 o'clock p.m. this day.

## EVENING SITTING

The Committee resumed at 9 o'clock p.m., the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Bercovitch, Brooks, Brown, Douglas (*Weyburn*), Dupuis, Factor, Fleming, Francoeur, Fraser, Glen, Golding, Green, Homuth, MacInnis, MacNeil, McCann, McDonald (*Pontiac*), McGeer, McKinnon (*Kenora-Rainy River*), McPhee, Marshall, Patterson, Purdy, Rickard, Slaght, Stewart, Stirling, Taylor (*Norfolk*).

*In attendance:* Mr. Horace T. Hunter and Lieut.-Colonel George A. Drew.

Examination of Mr. Hunter was concluded.

Lieut.-Colonel Drew was called, heard and questioned.

Moved by Mr. Brown that the Committee do now adjourn; and the question being put, it was resolved in the negative.

At 11.10 o'clock p.m. the Committee adjourned until Wednesday, May 31, at 11.15 o'clock a.m.

A. L. BURGESS,

*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 30th, 1939.

The Standing Committee on Public Accounts met at 11.15 a.m. The Chairman, Mr. W. A. Fraser, presided.

The CHAIRMAN: Gentlemen, will you kindly come to order? As a result of a telegram received from Mr. Hunter of the Maclean Publishing Company and the reply that was made to that telegram, Mr. Hunter is here this morning. Unless some member of the committee has some matter which he wishes to discuss before Mr. Hunter is heard, we shall immediately proceed with Mr. Hunter. I believe Mr. Hunter wishes to read a written statement. Is that correct, Mr. Hunter?

Mr. HUNTER: Yes.

Mr. McGEER: Mr. Chairman, might we have the telegrams put on the record?

The CHAIRMAN: Shall we take them as read?

Mr. McGEER: I think we might take them as read.

Mr. MACNEIL: They were read last time.

Mr. McGEER: You might as well read them, Mr. Chairman, because some of the members may not know the contents. My reason for asking that is that this was done by the steering committee and not by the committee as a whole.

The CHAIRMAN: The telegram of May 25th, 1939, from Toronto, addressed to W. A. Fraser, Chairman Public Accounts Committee, Ottawa, Ontario, reads as follows:—

As motives of the author and also publisher of article on Bren gun contract which appeared in *Macleans Magazine* have been called in question and misrepresented in evidence before your committee I request opportunity to be heard by your committee as to circumstances leading up to publication of article in question Colonel Drew also requests as author of article opportunity of giving evidence on the same matter.

HORACE T. HUNTER, *President*,

THE MACLEAN PUBLISHING CO.

The answer to that telegram is as follows:—

May 26, 1939.

To: HORACE T. HUNTER, President,  
The Maclean Publishing Company, Toronto,  
Ontario:

Your wire received as follows quote As motives of the author and also publisher of article on Bren gun contract which appeared in *Macleans Magazine* have been called in question and misrepresented in evidence before your committee I request opportunity to be heard by your committee as to circumstances leading up to publication of article in question Colonel Drew also requests as author of article opportunity of

giving evidence on the same matter unquote Committee agree to your request stop Will hear Horace T. Hunter and following his representations Lieut. Col. George Drew at meeting in committee room 368 Parliament Buildings Ottawa at eleven fifteen on Tuesday morning May thirtieth.

W. A. FRASER

A telegram came in on May 26th, addressed to W. A. Fraser, Chairman, Public Accounts Committee, which reads as follows:—

Telegram received Colonel Drew and I will attend meeting.

HORACE T. HUNTER.

HORACE T. HUNTER, President, The Maclean Publishing Company, called.

The CHAIRMAN: Will you proceed, Mr. Hunter?

The WITNESS: Yes.

I should like to thank you, Mr. Chairman, and honourable members of this committee for the opportunity of being heard.

In recent evidence here some very disparaging remarks have been made regarding those primarily responsible for this inquiry. The references were obviously to the Maclean Publishing Company, *Maclean's Magazine* and Col. George A. Drew, the author of the article "Canada's Armament Mystery" since all members of parliament were specifically excluded. We were accused of a "dastardly, traitorous attack"; of having "sold out" Canada's defence and the defence of the Empire; of being "liars"; of having "hounded and humiliated" the war office. It has been charged that this inquiry has "dangerously hampered and impeded" the armament program of Canada and has militated against British armament orders for Canada.

Later, at the instance of yourself, Mr. Chairman, it was suggested that certain of the phrases deemed offensive should be changed in the record. Major-General LaFlèche offered an apology for being discourteous. But the allegations have gone out to the country. The words cannot be changed in the newspaper dispatches that have already been printed from coast to coast. And it seems clear that the apology or correction was not intended to apply to the grossly unfair damaging innuendoes and imputations against ourselves.

That is why we have sought the opportunity of informing your committee as to our motives in publishing the article which was responsible for the appointment of the royal commission, whose report is before this committee. I should like also to outline the circumstances leading up to the publication of the article.

We were astonished that a public servant should have questioned the loyalty and good faith either of a company which has served Canada faithfully in the publication of national periodical literature for a term of more than 50 years, or of a writer who has shown himself to be a gallant and patriotic Canadian.

It is not my intention to defend ourselves against any imputation of traitorous disloyalty. The records of both the Maclean Publishing Company and the author of the article speak for themselves in that regard. But we do feel that this committee is entitled to know how the article came to be written. A recital of the facts will effectually dispose of any suggestion either of bad faith or of political motives.

The Maclean Publishing Company publishes 27 magazines and business newspapers. They have 700,000 subscribers and approximately 2,000,000 readers. These subscribers and readers look to us to keep them informed on many subjects. One of these subjects is the manner in which public funds

[Horace T. Hunter.]

are expended. That is routine, every-day work for our editors. We gather facts in an unprejudiced, non-partisan way and we give editorially our interpretation of the significance of those facts.

In the ordinary course of their duties, the editors of several of our publications had been studying armament contracts. A great deal of information had been amassed before the Bren contract was signed.

As soon as the contract itself was tabled in the House of Commons, we obtained copies of it. Because of certain references to the contract made by the Minister of National Defence in the House of Commons we came to the conclusion that this contract was much more important than an ordinary government contract. It did not seem to be of merely routine significance. It seemed likely that it would be established as a model or precedent for future contracts in the placing of munitions orders for the Department of National Defence.

We were influenced in this interpretation by statements made by the Minister of National Defence.

On July 1, 1938, Mr. Mackenzie is recorded in *Hansard* as having made the following comment:—

. . . . . from the business point of view this is one of the finest contracts that was ever signed in the public interest of Canada.

Later in the debate, he said:—

I want to repeat what I said. I would like to see this contract examined from a business basis, through and through. I think it is one of the finest things ever done, since we had to do it in Canada, for the dominion.

Believing the contract to be so important we published an extensive summary of it in *The Financial Post* and the complete contract in *Canadian Machinery*.

The contract was examined in great detail by editors of various of our publications.

Early in July, 1938, one of the editors of *Maclean's Magazine* came to me with a copy of the contract. He stated that an examination of the contract had led him to the conclusion that certain of its provisions were open to criticism, that there appeared to be discrepancies between the description of the contract given to the House of Commons and the actual terms of the contract, and that certain questions relevant to the transaction were of such vital consequence that public interest demanded their thorough investigation. He pointed out specifically:—

1. That the contract provided for the payment of \$20,000 to the contractor for pre-contract expenses, of which amount the Canadian government was to pay two-thirds; whereas, on June 22, 1938, the House of Commons, through answers to questions asked of the Minister of National Defence, had been given to understand that Major Hahn had not acted on behalf of the Canadian government during the pre-contract period.

2. That the over-riding limit of \$267,000 claimed to have been placed on profits accruing from the Canadian contract did not represent the maximum possible profit.

3. That contrary to usual commercial practice, the contract provided for the payment by the government to the contractor of a ten per cent profit on his own salary, on travelling expenses, legal fees, and other overhead costs.



4. That the contract stipulated the installation of the machinery in such a manner as to make possible its use for the manufacture of Enfield rifles and other small arms, a provision which suggested that the contractor was being placed in a preferred position to make very great profits should large-scale manufacture of small arms become necessary.

5. That the contract expressly forbade the sale of stock of the contracting company if the proceeds of such sale were not applied directly to the business of making Bren guns; and that a firm of Toronto stock brokers was then selling stock of the company.

6. That the contract stipulated that no member of parliament was to derive any benefit therefrom, whereas it was known that a member of parliament had had some undetermined connection with the negotiations leading up to the signing of the contract.

In view of the considerations cited above and the further circumstance of the selection without tender of a contractor who had had no experience in the manufacture of small arms, was not equipped with the machinery necessary for their manufacture, and whose recently acquired plant had been inoperative prior to the signing of the contract, my associate felt that the public, which was paying the bill, should be informed through an article in *Maclean's Magazine* as to the terms of the contract and the relevant facts of the transaction insofar as these were ascertainable.

I agreed. We then discussed the selection of a man who would be competent to make the necessary investigation, who could write with authority and who could present the facts in a manner suited to magazine requirements.

After considering the matter very carefully we came to the conclusion that Lieut.-Colonel George Drew was the man best qualified for the task.

He had been a regular contributor to *Maclean's* since 1928. He had written extensively both on military matters generally and armaments specifically. He was a man whose military background qualified him to speak with authority on military matters, having been chairman of the conference of defence associations and president of both the Canadian and Ontario Artillery Associations. He was a lawyer who had had judicial training as Master of the Supreme Court of Ontario, and was therefore qualified to deal authoritatively with the legal aspects of the contract. He had also had experience as Ontario Securities Commissioner and was qualified to deal with the aspects of the case relating to the organization and financing of the companies involved.

Furthermore, we had every confidence in Col. Drew's accuracy and judgment, a confidence based on our handling of his writings over a period of more than ten years during which he dealt with some of the most important and controversial issues of the time.

It will be recalled that in 1928 he wrote for *Maclean's* "The Truth About The War," an article which disposed of serious misrepresentations by United States periodicals of the part played by the British Empire in the Great War. The demand for this article was such that it was repeatedly reprinted in pamphlet form and distributed throughout the world to the number of some hundreds of thousands.

Subsequently he wrote a series of similar articles dealing with "Canada in the Great War." This followed by a series on "Canada's Fighting Airmen," which was also published in book form and is now accepted as the authoritative historical record of our leading pilots during the war.

Later followed "The Truth About War Debts," an article which constituted the first real attempt in Canada to correct the misunderstandings on this subject arising out of its treatment in books and magazines in the United States.

Then, in 1931, prior to the opening of the first Disarmament Conference at Geneva, he wrote an article entitled "Salesmen of Death" which profoundly

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affected public opinion in this country regarding the activities of armament manufacturers during and since the the Great War. This also was reprinted in pamphlet form, was officially distributed by branches of the League of Nations Society throughout Canada and was circulated by similar societies in many other countries.

In short, he was qualified—as few men in Canada were qualified—to write on a subject relating to the defence of Canada.

Col. Drew was therefore called in, the points I have already cited were brought to his attention, and he was asked if he would accept an assignment to write such an article as we had in mind. It was emphasized that the treatment must be objective. All statements of fact in the article would have to be substantiated. Facts, not opinion, were what was wanted; and the facts were to be presented with a restraint in keeping with the importance of the subject.

Col. Drew accepted the assignment. He was then handed a copy of the contract by the editor who had first brought it to my attention. I wish to emphasize the fact that not only did the magazine initiate the article but it furnished Col. Drew with his original source material in the form of the contract itself.

In due course the first draft of the article was submitted and was carefully considered by the editors of the magazine and myself. After consultation certain changes were suggested and Col. Drew revised the article in accordance with these suggestions. A revised draft was submitted that this was again revised after further consultation. Every statement made in the article was minutely examined in relation to its factual basis.

Following these editorial revisions, the manuscript was placed in the hands of Mr. I. F. Hellmuth, K.C., for a legal opinion.

It is more than the literal truth, gentlemen, to say that that article was scrutinized again and again, sentence by sentence and line by line, before it was allowed to go into print.

The reasons for this are obvious. We were profoundly conscious of the responsibility that we as publishers assumed in presenting such a statement to the public. We knew we were assuming serious risks to ourselves. We knew we would be exposing ourselves to attack from many directions—attacks of the type made by the Minister of National Defence in the House of Commons and that recently made by the Deputy Minister of National Defence before this committee. We knew we were running a commercial risk, that publication of the article might affect adversely our advertising revenue. We knew we were running the risk of involving ourselves in costly litigation.

Our responsibility was further emphasized by a threat of legal action made by Major Hahn.

On August 12, 1938, some two weeks before the appearance of the article, Major Hahn called me on the telephone. He stated that he had heard we intended to publish an article by Col. Drew bearing on the activities of his company. I replied that we were planning to publish such an article. He then stated, and stated very emphatically, that if we published this article and he found that it contained any grounds for legal action against us he would at once institute proceedings.

I replied that we had checked minutely all statements made in the article and were prepared to accept full responsibility for their publication. I stated further that we were convinced publication of the information contained in the article was in the public interest; and that the public interest was of much greater importance than the immediate private interest of either his company or our own.

You will realize, gentlemen, that no responsible publisher, confronted with this kind of pressure, actual and potential, could afford to proceed unless he was convinced beyond all question of immediate private interest that he was

acting in the national interest. You will realize further that, once we were possessed of the facts, only two alternatives lay open to us. One was to publish them. The other was to suppress them. And I submit, Mr. Chairman, that in the light of all that has since transpired, any publisher who suppressed the facts of this case would have been derelict in his duty, not only to his own readers, but to the country at large.

That the checking of the statements made in the article was carefully and accurately done was shown during the Davis inquiry.

The article was subjected, during the course of that inquiry, to the most rigorous and minute examination. More than 4,000 pages of evidence were taken during a period of over two months. Eminent counsel appeared for the government, for the John Inglis Co. and for the Plaxtons, but no statement of fact appearing in this article was shown to be false, inaccurate or misleading.

The Minister of National Defence, in his evidence, insisted that the article was full of "assumptions, implications, innuendoes and suggestions of impropriety" and as such was "wild and irresponsible."

He was handed a copy of the article by I. F. Hellmuth, K.C., counsel for the Maclean Publishing Company and was asked to point out any inaccurate statements.

For many minutes the minister stood on the stand with the article in his hand, while the commissioner and counsel waited for him to cite extracts to prove his assertion that the article was "wild and irresponsible." Finally he pointed to a paragraph dealing with the Ross rifle machinery installed in the Inglis plant, and stating that this "constituted the bulk of the machinery" required for the Bren contract.

This statement is borne out by information contained in a report dated January 27, 1936, made by the then chief of the general staff to the minister (exhibit 281).

Pressed further by counsel and by commissioner Davis to single out any further statement in the article that was "untrue, incorrect or falsely stated," the minister could not cite one.

The Deputy Minister of National Defence has spoken of those responsible for this inquiry as "liars." The truth of the matter is that no statement of fact made in the article has been shown to be inaccurate.

Commissioner Davis, in his report, said:—

The facts are all in evidence, and as said by government counsel in opening their argument: So far as the facts are concerned there are very few which are even in dispute. I cannot myself recall at the moment any fact to which direct proof was adduced that is in dispute. It will be for those charged with the responsibility of dealing with the facts, i.e., the government and parliament, to examine and study them and to take such action, if any, thereon as they may see fit.

May I add a word as to the part we played in the inquiry, that followed publication of the article.

When Prime Minister King appointed a royal commission to investigate the contract, he invited Colonel Drew to aid the inquiry. He offered to provide counsel at government expense to assist Colonel Drew before the commission.

Colonel Drew accepted the invitation to assist. He did not accept any fees or expenses from the government for helping the royal commission to elicit the facts. He attended every one of the commission's hearings, without expense to the government. The editor of *Maclean's Magazine* was also present at every meeting of the inquiry and was at all times available to give evidence or assist in any other way. I was present at many of the sittings.

[Horace T. Hunter.]



In addition, the Maclean Publishing Company appointed, at its own expense, counsel to represent them and to assist Colonel Drew, in the person of I. F. Hellmuth, K.C., who acted as government counsel in the famous war-time shell inquiry. Mr. Hellmuth has acted as counsel for our company for many years.

Colonel Drew and ourselves refused to accept fees or expenses for counsel, not because we were unappreciative of the generous offer of the government, but because we desired to remain entirely independent. As I have tried to make clear, we were at all times prompted by a desire to promote the national welfare. Our desire to serve the public welfare did not end with the publication of the article. We wished to use every means in our power to bring out all the facts in the interests of the country and the taxpayers who were paying the bills.

From the time the article appeared in *Maclean's Magazine* until the present time the most intense public interest has been evidenced throughout Canada in the Bren gun contract. This is, we believe, further evidence that the subject was one of great national concern. We have filed all press references to the article and the subsequent developments. These files record more than a billion words of news and comment in Canadian publications from coast to coast.

A study of editorial opinion appearing in Canadian newspapers and other periodicals indicates that the majority of the comments are critical of the contract and the manner in which it was let. A large number of newspapers—including newspapers of all shades of political opinion—have been quite as persistent and forceful in their treatment of the matter as have *Maclean's Magazine*, the *Financial Post* and other Maclean publications. If we have been guilty of a "dastardly betrayal of Canada," then equally these newspapers are guilty. But, of course, they are not guilty of any such betrayal any more than we were. Their interest is the same as our own—to insure that the strengthening of Canada's defences in a time of world crisis should not be impeded by such things as incompetence, political favoritism in awarding of government contracts or profiteering in their execution.

The accusation has been made in evidence before this committee that this inquiry has had the most serious retarding effect on the department and perhaps a still more serious effect by retarding the placing of orders here by the British government.

In the absence of any specific evidence that British orders for Canada have been retarded because of the inquiry it is difficult for us to comment. But our own information provides us with another explanation for the lack of British orders for munitions from Canada.

Last fall while the judicial inquiry into the contract was in progress the editor of the *Financial Post* was in London. He interviewed important officials at the war office. Certain information then obtained was used as the basis of an article that was published in the November 5 issue of his paper—

The heading of the article read:—

Munitions Orders May Disappoint Canadians.

The article proceeded as follows:—

Under present conditions, and despite the decision of Great Britain to proceed even more vigorously with its rearmament program, it is not expected that further substantial munitions orders will be placed in Canada in the near future.

This applies to guns and shells rather than to airplanes and other more diversified armament supplies.

The view taken here in official circles is that, due to the slowing down of business, the government is now able to get all supplies necessary from domestic plants and without delay. Accordingly, were the British government to place more orders in Canada, it would be subject to criticism from firms at home who are actually laying off men.

If the inquiry has had a retarding effect on purchases of munitions, it would equally have had the same effect on purchases of military aircraft. The facts are, however, that since the article appeared, announcement has been made of the formation of Canadian Associated Aircraft Limited to manufacture in Canada airplanes for the British government. No definite statement has been made as to the exact amount of British business to be placed through this organization, but it would amount to many times the value of the Bren gun order. And it is to be observed that while a new company was organized to handle the placing of the business and the assembly of the machines, provision was made that the airplanes were to be manufactured in established Canadian plants under the direction of business men with a record of success in the management of industry.

The best answer to charges of "lies," "traitorous conduct" and "selling out the country" is to point out that the publication of the *Maclean's* magazine has had certain results which no one can dispute were in the national interest.

1. The terms of the contract were amended, so as definitely to limit the profit accruing to the Inglis firm from the Canadian Bren gun contract to \$267,000 and to eliminate the possibility of large additional profit under the so-called incentive clause.

The change in the terms of the contract, after publication of Colonel Drew's article, was summarized as follows by Commissioner Davis in his report:—

During the last week of August, 1938, an advance copy of Colonel Drew's article that was to appear in *Maclean's* magazine came to the attention of the deputy minister and other (defence) department officials. As a result of a conference with Major Hahn in Ottawa at that time, a letter was taken subsequently from the company dated September 3rd, 1938, fixing the amount of the maximum over-riding profit accruing to the company under the contract; the provision in the contract being thought susceptible of a construction by which the company might get a large profit.

2. An entirely new system and basis for contract purchases by the Department of National Defence was established, in accordance with the recommendations of Mr. Justice Davis, who said:—

What is plain to me at the end of this long inquiry is this: That if the policy of private manufacture of war munitions and armaments is to be continued in this country (a question of administrative policy for the government and parliament to determine), once requirements are determined by the Department of National Defence the negotiations leading up to and the making of contracts between the government and private manufacturers either for the purchase or production of such munitions or armaments should be put into the hands of an expert advisory group of competent business men—a capable and experienced manufacturer, a commercial lawyer who has had a wide practice in dealing with large commercial contracts, a representative of labour, and say a chartered accountant who has had experience in the examination of substantial business transactions. These persons should constitute a board (which might be known as the "Defence Purchasing Board").

Again the evidence is clear that this change resulted from publication of the article.

A further result of the publication of the article was the cessation for the time being at least of the profiteering through the sale of stock in the armament company.

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Charges of disloyalty and traitorous conduct have been hurled before this at publishers and writers who have criticized government officials and military brass hats. History is now repeating itself.

In fact, it was in part our knowledge of the history of munitions manufacture in the Great War that made us so desirous of seeing a firm footing established for the placing of armament contracts.

In Canada in 1915, there was the gravest indignation among officials at Ottawa when criticisms were made of the manner of awarding shell and other contracts in the early stages of the Great War. One result of the criticism was the appointment of the Imperial Munitions Board, an efficient, independent and non-political body. Following its appointment Canadian manufacturers received increasingly large British orders for shells, that greatly exceeded the contracts given to them during the period when the shells committee was in operation. Another result was the establishment of the War Purchasing Commission. Of this commission Sir Robert Borden's memoirs declare that it saved Canada an amount of not less than \$50 millions through establishing efficient methods.

Objection has been taken to the fact that we have criticized the Department of National Defence at a time when it is engaged in the critical task of re-arming Canada.

The experience of Lord Northcliffe in the Great War point to the importance and value of intelligent criticism of the administration of a country's military services even though it brings charges of disloyalty.

*The Times* and the *Daily Mail*, of London, in May of 1915, brought down upon themselves the most vigorous criticism for their exposure of the shortage of the right kind of shells at the front. On May 14, 1915, the *Times* ran an article from Colonel Repington, its military correspondent. The contents of this article are suggested by the headline which reads:—

“Need for Shells: British Attack Checked:  
Limited Supply the Cause.”

On May 21, the *Daily Mail* published a further article of which the headline read as follows:—

#### The Shells Scandal: Lord Kitchener's Tragic Blunder.

On the appearance of these articles both of these newspapers, as well as their publisher, Lord Northcliffe, were accused of traitorous disloyalty to the country. Copies of the two papers were solemnly burned on the stock exchange. Lord Northcliffe was denounced in the House of Commons by the Prime Minister. Opposition newspapers shrieked their disapproval. It was necessary to put on a special police guard to protect the publisher and members of his staff from an infuriated public. Thousands of readers of both papers cancelled their subscriptions. Efforts were made by the civil servants and the brass hats to hamper Lord Northcliffe's newspapers in obtaining the news. Lord Kitchener instructed Sir John French not to permit the *Times* military correspondent to come near his headquarters.

But we all know the results of these articles. The British government was strengthened, a strong ministry of munitions was established and British troops began to receive the shells of the type and in the quantity they required. Lord Northcliffe later was recognized throughout the world as a great patriot and public-spirited citizen.

Justice Davis, in his report indicated that there was no evidence of corruption in the placing of the Bren gun contract. I should like to emphasize that no charge of corruption was made in the article in *Macleans* or in articles in any of our publications. That finding of Justice Davis did not relate to any



criticisms made by us. Our criticisms were based on other factors such as unbusinesslike methods; political favoritism in the selection of the contractor; the lack of tenders; the ignoring of well-equipped, established firms; the selection of a manufacturer not actually operating at the time the contract was signed; lack of frankness in presenting the facts to parliament and to the public; inadequate protection against the making of huge profits by the sale of shares and against improper profiteering in the manufacture of armaments for the defence of the country.

At all times we had but one interest and concern: The very interest and concern which are the first consideration of every public-spirited publisher in Canada. Our concern was for the public good.

When the public interest and the welfare of the nation are at stake, no progressive publisher will fail to speak out pointedly and courageously no matter what pressure may be brought to bear upon him, no matter what added labours and expense he may anticipate as a consequence of his action; no matter what criticism and even abuse he may expect to receive.

Cleverly directed criticism and abuse are the normal lot of the publisher or author who treads upon the feet that have invaded the public treasury. We expected criticism. We expected abuse. We expected our motives to be impugned. We expected that those who were hurt would attempt to blacken us in the eyes of the public. And in these expectations we have not been disappointed.

The experience was not unique or unprecedented. Colonel Repington says in his war diary:—

Every endeavour was made to show that I had been engaged in an intrigue against the government, or was acting under the orders of Northcliffe; and various reptiles bit me whenever they could. It is not an intrigue to endeavour to save an army from defeat by a necessary public exposure when all official representations have hopelessly failed.

And it is not disloyalty or traitorous conduct, in times of peace, to anticipate the scandals of wartime by intelligent criticism and accurate exposure. Adapting the old adage "in times of peace prepare for war," is it not equally wise in times of peace to remove the inefficiency and political favoritism that in times of war must inevitably result in the loss of lives and the wastage of huge sums of public money?

Twenty-five years ago we had to wait for the war to come, thousands of men had to lose their lives and millions of dollars of the taxpayers' money had to be wasted before public exposure forced the elimination of unsound business methods in the placing of orders for munitions. We cannot help but feel that Canada is fortunate to have had the circumstances surrounding this contract brought to light while we are still at peace and there is still time to profit by the lesson.

Thank you, Mr. Chairman.

The CHAIRMAN: Gentlemen, you have heard the statement read by Mr. Hunter. Do you wish that Mr. Hunter should be called upon to answer questions; does any member of the committee wish to ask him questions in connection with his submission?

Mr. McGEER: Mr. Hunter, just that we might have the record straight, I see the subject matter of your reference is to be found in the record of this committee at page 764. I think it might be well if we had it written on the record again. I will read it to you, and you can check it:—

The WITNESS: Mr. MacInnis is very kind. I just want to point out here that this co-operation on the part of the war office officials has already resulted in very substantial progress in the rearmament of Canada from [Horace T. Hunter.]

within Canada. This is an all too patent point of fact, and I cannot hide it; you gentlemen will not object to my saying it, I am sure. Had it not been for the hampering effect of the Bren gun inquiry, had the department not been hounded—and the department being hounded the war office is humiliated and hounded, equally because we acted very much on their advice; we followed very much their example; we did not act until they were satisfied—I am making this statement, that Canada's rearmament would be very much more advanced than it is to-day. The inquiry started last September and is still continuing eight or nine months later. The adverse effect upon the rearmament of Canada, and therefore, the weakening of our defences of Canada and of the Empire and whatever any individual holds dear in that connection, has been severe; I say rearmament has been dangerously hampered and impeded. I say further that Canadian workmen who have a right to expect employment have been robbed, denied honest employment to the extent of millions and millions of dollars by the people who started this dastardly, traitorous attack on the Department of National Defence and the war office in this respect.

Mr. MACNEIL: Mr. Chairman—

An Hon. MEMBER: Sit down.

The WITNESS: It is the absolute truth.

Mr. MACNEIL: The witness is making an unusual statement.

The WITNESS: I am not. It is time that somebody did speak out in defence of the people of this country.

An Hon. MEMBER: Hear, hear.

The WITNESS: In the defence of this country and of the war office officials who have been insulted, humiliated, by many, many people. I am saying this personally. I am not speaking for myself, I cannot. A public servant is a target for any public man who wants to attack him; but a public servant still has the right to stand up for people who have been the nation's friends, and that is what I am doing. I am defying—I am throwing that in the teeth of all the liars who have gone after the war office officials in this respect. I am not doing it in respect of myself. I cannot. It is a dastardly betrayal of Canada.

Mr. MACNEIL: Go on.

Mr. McGEER: All right:

The WITNESS: I am an old soldier and it is my duty to look after the rearmament of this country; and I am stating that my work in respect to the defence of Canada has been seriously impeded by men who have sold Canada, who have sold out Canada's defences and the defence of the Empire.

Mr. MACNEIL: I think the record should be kept straight by adding the paragraph on page 766 as well.

Mr. McGEER: To which one do you refer?

Mr. MACNEIL: The one at the bottom of the page.

Mr. McGEER: Might I say that the witness referred to is Major General L. R. LaFlèche, Deputy Minister of National Defence for Canada, the same witness, I take it, as is spoken of by Mr. MacNeil.

Mr. MACNEIL: Yes.

Mr. McGEER: He goes on to say:—

Q. Just entering production. So that in 1938 the Enfield plant in England was just entering production. Does that not indicate some of the reasons why you did not get satisfactory answers to your inquiries

of 1936?—A. Of course. I have not reproached the war office. There was a reason. They did not know themselves. Mr. Chairman, I told you quietly—and I may have taken a liberty in saying it—that I insisted upon saying a word after Mr. MacNeil had spoken. Thoughts have been racing through my mind and perhaps it would be better to wait a little while before making any further remarks; but here they are. I am quite sure, Mr. MacNeil, that I mentioned nobody but the person or persons who started the Bren gun inquiry. I certainly had not in mind any gentlemen around this table or in the House of Commons or in the Senate; and truly, I did not have them in mind. I am not attempting to veil my thoughts by attempting to use words. That is not it at all. I realize that you have a duty to perform. My feelings perhaps got away with me in trying to make you gentlemen understand that I had duties to accomplish, and that I have been thwarted, I have been prevented, I have been hampered by the people who, for their own reasons, started all this trouble. I came to the rescue—pardon me, I did not come to the rescue, but I came to the defence of people who are not in this country and whose names have been bandied about. I am not speaking of you gentlemen here; and I trust Mr. MacNeil, my very good old friend of long years ago, will do me the justice of accepting—yes, I am asking you to accept the remarks that I have just made in exactly the same sincere and truthful spirit in which I have made them.

Then on page 767, continuing on at the top of the page:—

MR. MACNEIL: Mr. Chairman, I accept General LaFlèche's remark. I do want to make this statement: General LaFlèche is not here on trial. Never at any time since the reference was made were any charges referred to this committee for the purpose of investigating General LaFlèche's conduct. I have the greatest respect for General LaFlèche, based on old friendship, and while I may disagree with him on some matters of policy, I believe those disagreements can be discussed without personal animosity or without questioning General LaFlèche's integrity.

MR. MACNEIL: You might as well finish it.

MR. McGEER: All right.

They are involved questions of public policy which on the findings of Mr. Justice Davis were to be decided by parliament, and referred to a moment ago by Mr. McGeer. When I moved the order of reference in that regard I did so not with the idea of bullying, hampering or hindering General LaFlèche or his officers for many of whom I have very great respect.

*By Mr. McGeer:*

Q. Now, Mr. Hunter, you referred to the experience of Lord Northcliffe in London during the last war; you referred to the publication of the rather notorious Repington articles, did you not?—A. Yes.

Q. Will you agree with me that the attack on the Northcliffe press as expressed in the Repington articles was directed at a deplorable shortage of munitions on the fighting front?—A. Yes.

Q. Do you recall in these articles any charge by way of innuendo or otherwise that the alleged shortage of munitions was due to fraud or corruption on the part of British public men?—A. No.

MR. SLAGHT: Speak up, please, so we can all hear you.

THE WITNESS: No.

MR. McGEER: No.

[Horace T. Hunter.]



*By Mr. McGeer:*

Q. Now, you have quoted from the British press to the effect that the men who challenged propriety of these articles were reptiles, do you recall that in your statement?—A. I recall the statement which I might read again.

Q. Yes, we will have it again if you have it.—A:—

Every endeavour was made to show that I had been engaged in an intrigue against the government, or was acting under the orders of Northcliffe; and various reptiles bit me whenever they could. It is not an intrigue to endeavour to save an army from defeat by necessary public exposure when all official representations have hopelessly failed.

I do not see anything there with regard to corruption, charges of corruption.

Q. I did not say that. I was just asking you a plain question about that. We will deal with the question of corruption later.

Mr. GREEN: That is a quotation, is it?

The WITNESS: Yes.

Mr. DOUGLAS: From the memoirs of Colonel Repington, not from the press.

*By Mr. McGeer:*

Q. And I suppose it was given to this committee for the purpose of indicating what you think about the men who are attacking you now, because this publication was as you designate it an exposure of the Bren gun contract situation; is that right?—A. I merely quoted it as an example of what happened in another very important crisis.

Q. And a similar happening has come to you because you did somewhat the same thing that Lord Northcliffe did in publishing the Repington articles?—A. There is some similarity.

Q. In any event, the charges levelled at you now are that of dastardly conduct, traitorous conduct, untruthfulness and disloyalty. They could not be much worse, could they?—A. Charges, without any evidence to support them.

Q. You have told us about the very great care that was undertaken in the preparation of this article which I will identify as published in *MacLean's* magazine on September 1, 1938, at page 8, entitled, "Canada's Armament Mystery."—A. I might say dated, not published.

Q. It is dated September 1.—A. It is a common practice with magazines to date from two weeks, about two weeks, ahead of the publication date or the issuing date.

Mr. BERCOVITCH: The magazines are not always truthful.

*By Mr. McGeer:*

Q. As a matter of fact, later on you do identify—

Mr. HOMUTH: Yes, but—

The CHAIRMAN: Order, gentlemen.

Mr. McGEER: I think, Mr. Chairman, during this inquiry we might have one member of the committee speaking at one time because after all—

Mr. MACINNIS: It is a good precedent.

Mr. McGEER: —the reporters can hardly take down what three or four members of the committee are saying at the same time, and, honestly, I am not capable of examining a witness with constant interruptions.

*By Mr. McGeer:*

Q. In any event, that article was published for publication sometime in August, ready for publication then and was actually published on September 1, 1938.—A. It was published, as all issues are published, ahead of the date of publication.

Q. Well, published under that date of September 1?—A. Yes.

Q. I want to identify the publication.—A. Yes.

Q. When was the date of your first meeting, with reference to the Bren gun contract, with the editor who brought the matter to your attention?—A. It was very early in August. I cannot give you the exact date here, but it would be probably the 2nd of July, approximately.

Q. Do you know how long previous to that date he had been considering the matter?—A. I know that not only he, other editors of his publication, but a number of our editors of other publications had been studying armament contracts continuously.

Q. You are the head of Maclean's Publishing Company?—A. I am the president.

Q. Maclean's Publishing Company publishes what papers?—A. There are twenty-seven publications.

Q. Among them being *Maclean's Magazine*.—A. *Canadian Machinery*.

Q. You have another paper, in Toronto, what is the name of that?—A. There are numerous papers.

Q. You have one rather conspicuous one.

Mr. HOMUTH: The *Globe and Mail*.

*By Mr. McGeer:*

Q. Do you not call it the *Financial Post*?—A. We have the well-known publication—the *Financial Post*.

Q. It took quite an interest in the Bren gun contract as well, did it not?—A. It did.

Q. Did it take an interest in the Bren gun publication with your sanction and approval as well as the sanction and approval you gave to the Maclean publication?—A. In what way?

Q. Did you sit in with the editor of the *Financial Post* and discuss with him what he should publish too?—A. On certain important articles we discussed it. Naturally, the routine work of the paper would be carried on by a very capable staff.

Q. Yes, but I am dealing with the Bren gun contract criticisms.—A. I discussed some of them.

Q. The first appearance of the Bren gun contract in your publication was in May, 1938, was it not?—A. I have not the files.

Q. Well, I show you *Canadian Machinery*, May, 1938, at page 40, "John Inglis Company receives large order to make machine Bren guns." You identify that as a publication of your firm?—A. Yes.

Q. Now the next publication of the Bren gun situation was in July, 1938, in *Canadian Machinery*?

Mr. MACNEIL: What is your question?

*By Mr. McGeer:*

Q. I say the next publication. You identify that article as dealing with the Bren gun, do you?

Mr. GREEN: What page is that?

Mr. BROWN: What page?

The WITNESS: Yes.

[Horace T. Hunter.]

By Mr. McGeer:

Q. That is at page 30. And the same matter of time of preparation as before the date of publication applies to these magazines as does to *Maclean's*?—A. The same preparation would not naturally be placed on all articles.

Q. I was taking for granted that the article published in May would have been prepared possibly in the middle of April, published in *Canadian Machinery*. Would that be right?—A. I could not give you the exact date. It would be before or after the first of May; I cannot say which.

Q. It could not be after the first of May, could it? The monthly publications are published on the first or the last of the month?—A. There are different dates for all the monthly publications.

Q. Can you tell me about this one?—A. I cannot identify that without a schedule from the office.

Q. I should like to draw your attention to a statement in *Canadian Machinery* which published the contract in full in its July issue at page 40, under the title, "The Inglis-government contract for manufacture of Bren guns." On the first page it says:—

Canadian Machinery reproduces herewith, in full, the Bren gun contract between the Department of National Defence and the John Inglis company, Toronto, Ont., as tabled in the House of Commons, Ottawa, near the end of the last session. It is particularly important that manufacturers who are in a position to execute munitions contracts study this contract closely. They may be called on at any time to sign a somewhat similar agreement. They must weigh, too, the general implications of such business, as related to their own business and the future. The fact that the quantity, nature and timing of armament business is unknown complicates such timing. "Peace-time" demand of the present might alter overnight to demand on a wartime basis. For the present, the manufacturer most definitely must consider: "Is it worth it?" Investment and risk must be balanced against profit.

I presume that that was a word of advice to potential Canadian industrialists or to Canadian industrialists who may or may not be potential armament contractors? Do you agree with that?—A. I should say that it was a warning that solvency was the most important consideration for any industrial company; that they could make no contribution if they became insolvent.

Q. And that they could not undertake to take contracts which involved a danger of change of circumstances that would involve them in a loss?—A. They had to take it into consideration.

Q. So that you had by July in the possession of your papers, in the possession of your organization, the contract and you had commented upon it in at least two of the monthly issues of your organization?—A. I can give you this information regarding the date. I know that the publication of the contract was arranged after the work had started on *Maclean's Magazine*. These two editors worked independently in that connection.

Q. You say now that the two editors were working on the Bren gun situation prior to what?—A. That the *Canadian Machinery* article in which the contract is printed was arranged subsequent to the date on which I spoke to one of the editorial staff of *Maclean's Magazine*.

Q. Who was that member of the editorial staff to whom you spoke?—A. Mr. Braund.

Q. What are his initials?—A. H. C. Braund.

Q. In what capacity is he engaged?—A. Editorial department, *Canadian Machinery*.

Q. Was he the one who raised in your mind doubts and suspicions as to the worthwhileness of the Bren gun contract?—A. No; he merely spoke to me



and intimated that he proposed to run the contract in full for the information of his readers. His readers, many of them were industrialists, would be interested in examining a complete copy of the contract which had not up to that time, I think, been made public or not widely circulated.

Q. You discussed the matter also in a general way in *Canadian Machinery* of June, 1938. I will ask you to identify that article.—A. Yes.

Q. Now in both the May and the June issues you indicate that there is a program of co-operation being developed by the British war office and the Department of National Defence to secure production of armaments in Canada through the organization of Canadian industrialists for production of arms. I mean, that is indicated in both these articles, is it not?—A. If you will point out the reference I will identify it.

Q. "The question of armaments and the manufacture of war supplies both for Canada's own defence and for Britain's future protection is engaging the attention of industrialists throughout the dominion. In the last issue of *Canadian Machinery* a review was given of the manner in which the dominion's own defence appropriation of \$36,000,000 was being spent. During the past month developments of a greater and far more interesting character have taken place. Britain is looking to Canada for such assistance as may be deemed feasible to assist in her own re-armament program."—A. Yes.

Q. That is also referred to in your article of June:—

Orders for armaments and munitions for Canada, Great Britain and other countries, which began to assume important proportions in 1936 and 1937, will bring scores of millions of dollars to Canadian industry in 1938. Even without a war, this seems sure to continue and to increase for several years, and there is a distinct possibility, because of its location, skill in manufacture, natural resources and connection with the British Empire that Canada will become a permanent producer of war materials on a large scale.

A. Yes.

Q. And you, as the head of Maclean's Magazine Publishing Company, at that time publishing under your direct authority this *Canadian Machinery*, were encouraging Canadian industrialists in that hope, were you not?—A. Absolutely.

Q. Now, in addition to that, you knew, both as a business man and as an editor, that Canada's experience in modern wartime production activity was extremely limited, both as regards the Department of National Defence and our own Canadian industrial personnel?—A. What was limited?

Q. Their experience in the production of modern armament needs.—A. No. I would say not at all.

Q. Would you say that our Department of National Defence was experienced in that regard?—A. I would say industrialists were experienced in that regard.

Q. In the production of modern armament equipment?—A. I would say that that paper from which you are quoting during the great war published very many articles which were of very great assistance and educational benefit to industrialists in Canada and helped them to produce very large quantities of munitions.

Q. We will not quarrel over that. I mean to say, we will confine it to our Department of National Defence. We have never been a country that has armed to any extent, have we?—A. We have produced very large quantities of munitions.

Q. But we have not been a country that has armed to any extent outside of the activities during the last war?—A. Not as much as we might have.

[Horace T. Hunter.]

Q. Not as much as we might have. I am not quarrelling with that. As a matter of fact, we have never developed in our Department of National Defence; and more particularly is that so since the end of the last war than possibly it was before.—A. I will agree with you in that entirely.

Q. For whatever the reason may be, we have not developed an organization in our Department of National Defence that is capable of meeting the present situation—at least, as an experienced group?—A. Yes.

Q. You will agree with that?—A. Yes.

Q. Then in the light of those circumstances, will you agree with me that the best and wisest course for the Department of National Defence to follow was to be guided by the advice of the British war ministry? Will you agree with that as the wise and sound course to follow?—A. I would think we would put very great weight on official advice from the war office.

Q. Would you, as a newspaper editor and a business man in Canada, find fault with the Canadian Department of National Defence if it acted on the advice of responsible British war ministry officials in the preparation of a contract for the production of a new ordnance that had never been produced before either in Great Britain or Canada?—A. I would put weight on it; but I would not think that the war office would absolutely direct our operations.

Q. Suppose you were not experienced yourself and you wanted to go to somebody for advice. Who better than the war office could you go to if you were either the minister or the Deputy Minister of National Defence.

Mr. BERTRAND: Germany.

*By Mr. McGeer:*

Q. Who do you think they could better go to?—A. I admit their advice would be valuable.

Q. You admit that their advice would be valuable. Is that as far as you are prepared to go, Mr. Hunter?—A. I do not think that this country would put its affairs entirely in the hands of any other country.

Q. I am not talking about the affairs of this country, Mr. Hunter. I am asking you, in the matter of the preparation of a contract for the production of an ordnance that has never been produced before—namely, the Bren gun—if you think that the war office—that is, the responsible officials of the British War Office—are not competent to advise the Department of National Defence in that regard?—A. We made no charge whatever against the competency of the war office.

Q. All right. Let me come back to this question I asked you. Was there any better place for the Deputy Minister of National Defence or the Department of National Defence to go than to the British War Office for advice with regard to such a contract?—A. It was a good place to go.

Q. It was a good place to go. Could you have any fault to find with men who went there and then acted on that advice, if they did?—A. I would like to know the advice. I would like to know the advice and test it with our own officials.

Q. All right. You are taking a position now that indicates to me that you have some doubt as to the capacity or the trustworthiness—I do not know which—of the advice of the British war office.—A. No. You are asking a hypothetical question.

Mr. HOMUTH: No, no.

Mr. McGEER: Let me examine the witness.

Mr. HOMUTH: Do not put statements in his mouth. You make statements. Let him answer questions.

Mr. DUPUIS: The witness will answer.

*By Mr. McGeer:*

Q. I may be entirely wrong about that, Mr. Hunter; and I should not like that expression to go abroad because I do not think that is your opinion of the British war office. Let me put it to you again. If the Department of National Defence of Canada went to the British war office for advice as to the terms of a contract for the production of Bren guns in Canada, and acted on the advice given to them by the British war office, would you find fault with them?—A. I would reserve the right to form an opinion on the evidence presented.

Q. On the evidence presented. Do you think that the British war office are competent to advise on a contract for the production of such an ordnance as the Bren gun?

Mr. DUPUIS: In which they were interested.

Mr. McGEER: Just a minute, please.

The WITNESS: I have a high opinion of the war office.

*By Mr. McGeer:*

Q. Let me put this to you: The British war office secured a licence from the inventor of the Bren gun who lived in Czechoslovakia. They advised the Canadian government that that Bren gun was available for production in a Canadian arsenal in Great Britain and all the dominions and colonies of the Empire?—A. Yes.

Q. They then undertook the production of the Bren gun in a specially developed plant in England, known as the Enfield plant?—A. A government plant.

Q. A government plant. They were working out the details of costs, of production, time of deliveries, quantities necessary to make production economical, and they were the only people who were possessed of the technical information that was necessary to guide production outside of the plant in Czechoslovakia. In the light of those circumstances, if the Canadian government went to the British war office and asked them for advice on the terms of a contract designed to produce Bren guns in Canada, and acted on that advice, would you find fault with them?—A. What do you mean by the terms of a contract?

Q. All the terms of the contract.—A. Whether they would be made in a public or private plant?

Q. Yes, everything.—A. The British government's first advice was to manufacture in a government-owned plant.

Q. Yes, but that is not an answer to my question. You know that. I asked you if, under those circumstances—and I am sure you do not want me to repeat them—the Canadian government went and sought advice and acted upon it—went to the British war office, got their advice and acted upon it in the contract that they executed, would you find fault with the Canadian Department of National Defence for so acting?—A. Mr. Chairman, I would like to be helpful in connection with this in any answer I might give; but I can probably answer it best by saying that Canada is not a Crown colony, that our affairs are not directly under the British war office.

Some Hon. MEMBERS: Oh, oh.

Mr. GREEN: I rise to a point of order, Mr. Chairman. If the gang are going to heckle—

An Hon. MEMBER: No, no; take that back.

Mr. GREEN: Mr. Hunter is entitled to make his answer, and he is doing fine. It does not help anybody to have these people in the audience who are not members of the committee interfering. If they are going to stay here, they must be kept quiet.

Mr. Mutch: They are here and are not to be insulted.

[Horace T. Hunter.]



Mr. McGEER: I do not think that Mr. Hunter and I will have any difficulty. I think we understand each other.

The WITNESS: If I might continue, I was merely going on to say that my understanding of a dominion is that they reserve certain rights of action. As I have said, I think that the officials of the Department of National Defence would put very great weight in advice that came from the war office; but the final decision and responsibility would rest with the Canadian government.

*By Mr. McGeer:*

Q. We are not quarrelling about that. I am not saying that if they got bad advice they should not take the blame. But I am saying that in the light of their inexperience in the Department of National Defence here—they had a new problem to face; nobody knew much about it—and in the light of all the circumstances, if they went to the British war office—which I am suggesting to you was the best available authority—and got their advice and acted upon it, would you find fault with them?—A. I cannot agree, Mr. McGeer, that they did not have experience. Our production of munitions in the Great War, our very great production of munitions—

Q. Mr. Hunter, you are, of course, not a manufacturer?—A. We are very large manufacturers.

Q. You are very large manufacturers, but you are not very large manufacturers of armaments. You do not suggest that we produced anything in the Great War akin to a highly technical weapon like the Bren gun, do you?—A. I think we produced marvelous results in the Great War, in great variety.

Q. I know all about that. We produced more than a quarter of the total shells that were used in the Great War.

Mr. MacNEIL: Let him answer.

*By Mr. McGeer:*

Q. But we did not produce anything in the way of machine guns or Bren guns. You know that. This was an entirely new experience in Canadian industry.—A. We produced Ross rifles.

Q. Well, they were not very successful, were they? That would make them somewhat cautious in dealing with a technical weapon of that kind, would it not? That is a reason for being cautious, is it not?—A. Absolutely; a reason for getting expert manufacturers.

Q. Yes, and one reason for going to the British war office for their advice, if they had any to give us. And if the Department of National Defence did go to the British war office and get their advice and act on it, would you quarrel with that?—A. I cannot answer that hypothetical question, Mr. McGeer.

Q. That is far from hypothetical, as we will show a little later on.—A. If you quote the advice—

Q. I will quote it to you.—A. Thank you.

Q. As a matter of fact, you know, do you not, that before the Canadian government agreed to give the John Inglis Co. a contract, the Canadian Department of National Defence were advised by the British war office that it was prepared to give or to negotiate a contract with the John Inglis Co. for 5,000 guns to be produced in Canada?—A. Only after very great pressure from the Canadian government; and the answer to that is in the Davis report.

Q. We have got all that before us, you know. All I want you to say is whether or not you know that before the contract between the Canadian government and the John Inglis Co. was executed, the British war office advised the Canadian Department of National Defence that it was prepared to enter into and to negotiate a contract for the production of 5,000 Bren guns in the

John Inglis Co. plant in Canada? Have you any doubt about that?—A. I have no doubt about their willingness to co-operate; but the initiative did not come from the British war office.

Q. That may be a matter of doubt. But the fact is that the evidence—and I might tell you this—before this committee by the Deputy Minister of National Defence is that they did not agree to give any contract to the John Inglis Co. until they were assured that the John Inglis Co. would be able to produce for the British war office. That evidence may or may not be believed. But up to the present time it is uncontradicted.

Mr. HOMUTH: Oh, yes, Mr. Chairman. There is plenty of evidence on the record showing conclusively that there had been a great deal of pressure used on the war office. When Mr. McGeer makes statements like that, they are not according to the evidence.

Some Hon. MEMBERS: Order.

The CHAIRMAN: Order, gentlemen please.

*By Mr. McGeer:*

Q. You are of course acquainted, Mr. Hunter, as an old-time publisher—how long have you been in the publishing game?—A. Thirty-six years.

Q. You are conversant with what is known as propaganda articles, are you not?—A. I am indeed.

Mr. BROWN: So is Mr. McGeer.

Mr. DOUGLAS: I recall that your magazine printed an article for Mr. McGeer once.

Mr. McGEER: I do not deny it, only I do not happen to be under examination at the moment, that is all.

The CHAIRMAN: Order, gentlemen.

*By Mr. McGeer:*

Q. This article is rather well done along that line isn't it?—A. I explained the care with which it was written.

Q. I am not speaking about that, I am speaking about its propaganda power?—A. My understanding—

Q. Just take a good look at that (indicating); it is really well done, Mr. Hunter, and I am a great admirer of things that are well done, as you know?—A. That is right.

Q. And I would say that that article, and I show it to members of the committee—"Canada's Armament Mystery" with a huge exclamation mark at the end of it, was designed to arouse public interest?—A. Absolutely.

Q. And the public suspicion?—A. Where it was warranted.

Q. And public suspicion was what it was designed to arouse, wasn't it?—A. Where the facts warranted it.

Q. And you thought in this case the facts did warrant it?—A. We did indeed.

Q. You did indeed, and you deliberately went out to arouse the suspicions of the public?—A. As warranted by certain facts.

Q. Now, we would like to go through some of these other features in this article that you now tell me was in its presentation designed to arouse public interest and public suspicion—

Mr. MACNEIL: He did not say that.

Mr. McGEER: If you will just keep quiet a minute you will find that I will deal altogether fairly with this witness.

The WITNESS: Might I say there, Mr. McGeer, that if the facts suggest suspicious circumstances that is not our fault.

[Horace T. Hunter.]

Mr. McGEER: I quite agree.

The WITNESS: The facts are responsible, not us.

*By Mr. McGeer:*

Q. And you took mighty good care in an article so boldly presented as that to arouse suspicion that your facts were right?—A. Naturally.

Q. You then go on, "Canadians who may be called upon for sacrifices have a right to know—"

Mr. HOMUTH: Hear, hear.

Mr. McGEER: "—what lies behind the Bren machine gun contract."

Some Hon. MEMBERS: Hear, hear.

*By Mr. McGeer:*

Q. That is on the front page in bold type following, "Canada's Armament Mystery" with pronounced exclamation marks. Now, if you turn over to page 34, I think it is, or page 35, you wind up this article with something that I am going to suggest to you is a little more suspicious; "the urgent need of the nation must not provide the opportunity for large profits to friends of any government—Canada is waiting an answer"; that is the commencement and the ending of your article, isn't it? I have put it to you as a man who has said he knows what propaganda publishing means. Was that heading and that ending not designed to arouse suspicion that there had been fraud and corruption in the use of public funds expended on Canadian armament production?—A. We made no charge of fraud or corruption.

Q. No, but I am asking you another question; was that heading of that article and that ending not deliberately designed to arouse a suspicion in the minds of the readers of it that there was fraud and corruption in the expenditure of Canadian public funds for armament purposes?—A. It does not, the words do not indicate that.

Q. They do not?—A. No.

Q. Let me read; "Canada's Armament Mystery," "Canadians who may be called upon for sacrifice have a right to know what lies behind Bren machine gun contract," "urgent need of nation must not provide the opportunity for large profits to friends of any government," "Canada is waiting the answer"—

Some Hon. MEMBERS: Hear, hear.

*By Mr. McGeer:*

Q. Do you mean to say that that is not designed to arouse suspicion that there had been fraud and corruption?—A. I say that that was designed to do exactly what it states; that the public wanted to know about this important contract and had a right to know.

Q. All right, let me draw your attention to another significant item that goes along with that well done beginning and exceptional ending of an article; may I refer you to the second paragraph on page 33, "Section 15 of the contract reads as follows, no member of the Senate or House of Commons of Canada or parliament of the United Kingdom shall be admitted to any share or part of this contract;" and then in enlarged black type—have you got it, page 33, the second column under the heading "position of member of parliament"?—A. Yes.

Q. And then it goes on to say, "Section 15 of the contract reads as follows, no member of the Senate or the House of Commons of Canada or of the parliament of the United Kingdom shall be admitted to any share or part of this contract or to any benefits to arise therefrom"?—A. That is a quotation.

Q. That is a quotation from the contract?—A. Yes.



Q. It is the only quotation from the contract inserted in the whole article, isn't it?—A. I could not say without looking at the article.

Q. Well, read it; we have been at this thing for nine months and we might as well take a few more.

Mr. DUPUIS: Do you mean months?

Mr. McGEER: Yes.

*By Mr. McGeer:*

Q. Now, you have read that heading, and you are speaking to a parliamentary committee; now, with that in the middle of the article and these two elaborate obviously propaganda statements in the commencement and ending, do you suggest now that that was not designed to arouse suspicion that something was wrong in the administration of public funds in the armament expenditure *re* the Bren gun contract?—A. I would say that was designed to get any member of parliament who had any connection with the matter to make a disclosure of his interests.

Q. Now, have you told us all of Colonel Drew's connections with the preparation of the article; have you told us everything that is pertinent to the inquiry with regard to his connections with it?—A. All that I can recall.

Q. All that you can recall; he is a writer?—A. Yes.

Q. A professional writer?—A. Yes.

Q. He has written for you before?—A. Yes.

Q. I am in the same unfortunate position.—A. Yes.

Q. You called him in, I understand?—A. Yes.

The CHAIRMAN: If I might interrupt the witness and Mr. McGeer, it is now one o'clock and I suggest that the committee adjourn until 3 o'clock this afternoon.

Mr. McGEER: Could we not meet at 2.30?

Mr. HOMUTH: No, let us sit at 4 o'clock.

Mr. McGEER: Surely not that late, make it 2.30 at least.

The CHAIRMAN: The committee stands adjourned until 2.30 o'clock this afternoon.

The committee adjourned at 1.05 o'clock p.m. to meet again at 2.30 o'clock this day.

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## AFTERNOON SESSION

The committee resumed at 2.30 p.m.

The CHAIRMAN: Gentlemen, we have a quorum so we shall proceed.

HORACE T. HUNTER, recalled.

*By Mr. McGeer:*

Q. Mr. Hunter, we were dealing with the question of Col. Drew's relationship with the paper. What arrangement was made with him for his services?

Mr. GREEN: A little louder, please.

*By Mr. McGeer:*

Q. What arrangements were made with Col. Drew for his services in connection with preparing and writing this article?—A. We paid him for the article.

[Horace T. Hunter.]

Q. How much?—A. \$200.

Q. Were any further payments made to Col. Drew in connection with the article?—A. No further payments were made for the article. We paid expenses—out of pocket expenses—while he was in Ottawa.

Q. Was there any payment made in connection with the use of the article by any other publications?—A. No payments made by any of the other publications. That price was the regular price which we have been paying to him or to any other man for an article of that kind, although it is very small for the services rendered.

Q. Have you any correspondence between Col. Drew and yourselves in connection with the article or the investigation?—A. I do not know of any at the moment. I have had no correspondence of any importance. I do not recall any.

Q. Could you give the names of the editors who sat in on the conference and dealt with the preparation of the article?—A. Mr. Napier Moore is the editor of *Macleans*. He was concerned very definitely with the preparation of the article.

Q. And was anxious to have it prepared, I understand?—A. Yes. He was out of the city at the time it came up first. Mr. Irwin, associate editor, was there.

Q. He approved of its publication?—A. Yes.

Q. Anybody else?—A. I had no contact that I recall with other members of *Macleans* Magazine staff.

Q. Have you a gentleman by the name of Tyrrell in your organization?—A. Yes.

Q. Was he in on it?—A. He was in England at the time.

Q. Did he return before the publication took place?—A. Yes, I think so.

Q. Did you have any conference with him about publication?—A. I do not think he did return before it took place.

Q. What was his attitude to the publication of the article after he returned?—A. I am sure he approved of it.

Q. He approved of it. Did Col. Maclean approve of it?—A. I would say yes.

Q. Was he in the country at the time?—A. He was in the country at the time it came up first. He left I think, on the 7th of July for Europe.

Q. And the editor in charge of *Canadian Machinery*—who is he?—A. Mr. Braund.

Q. Mr. Braund?—A. Yes.

Q. He was in on the conference too, was he?—A. Only regarding machinery.

Q. Only regarding machinery?—A. Yes.

Q. But any information that he had with regard to the situation was available to you and to your associates before the article was published?—A. We could get anything we asked for.

Q. He knew you were contemplating the publication of the article that was published?—A. No, he did not.

Q. He did not?—A. No.

Q. He was never consulted about that?—A. No.

Q. What do you mean by "only with reference to machinery"?—A. His work is entirely on that group of papers. He has nothing to do with *Macleans* Magazine.

Q. He did not sit in on any of the conferences as to whether or not the article was to be published?—A. In *Macleans*?

Q. Yes.—A. No.

Q. Did you not tell me this morning—what is his name again?—A. Braund.

Q. Braund?—A. H. C. Braund.

Q. Did you not tell me that he was the first man that brought the matter to your attention?—A. No. I said that he asked me about the publication of the contract in *Canadian Machinery*.

Q. I see. You recall what you stated this morning?—A. That is what I stated.

Q. About Braund?—A. That is what I stated.

Q. I should like to quote you from page 40 of *Canadian Machinery* of May, 1938, under the heading "John Inglis Co. Receives Large Order to Make Machine Guns." Starting near the end of the first paragraph we find:—

Britain is looking to Canada for such assistance as may be deemed feasible to assist in her own rearmament program.

The cloak of mystery and secrecy surrounding the activities of those concerned with the lining up of armament building programs has been lifted by the publication of certain information from a reliable source. The Department of National Defence, Ottawa, has released certain definite information relative to the manufacture of munitions in Canada for Britain. One of the chief items of interest is the awarding of an order which may amount to an \$8,000,000 contract, to the John Inglis Co., Toronto for the manufacture of the Bren light machine gun.

The department's announcement is issued under the authority of Defence Minister Hon. Ian Mackenzie. It states that the John Inglis Co. will manufacture the Bren light machine gun in Canada under the terms of a contract which has been dealt with by the interdepartmental committee on the control of profits on government contracts. The contract will result in a very considerable benefit to Canadian industry and labor.

The Bren gun is a machine gun which is claimed to be lighter and easier to handle than other types of British machine guns. It is said to have been developed in Czechoslovakia. Seven thousand of these guns will be supplied to the Canadian army and five thousand for the British forces. It is understood that the Atlas Steels Ltd., Toronto, may also supply crucible steel for the manufacture of these guns. Major J. E. Hahn, of Toronto, who is well known in Canadian financial and industrial circles, will head the new organization.

So that in May, 1938, the *Canadian Machinery* magazine published by your company announced that the Department of National Defence had lifted the veil of secrecy to some extent?—A. Yes.

Q. They also stated that "Major J. E. Hahn, who is well known in Canadian financial and industrial circles, will head the new organization"?—A. Yes.

Q. They also stated that there are two agreements or at least two proposals—one to produce Bren machine guns for Canada and the other to produce them for Britain?—A. Yes. I think, Mr. McGeer, that statement was released by the Department of National Defence and probably might be classed with some of the propaganda you were referring to this morning.

Q. Maybe. I have never heard anyone cast that suspicion on the Department of National Defence before; and certainly the editor of *Canadian Machinery* had no such idea, Mr. Hunter.—A. I am referring to the fact that this matter would appear in various publications, and the source would be the Department of National Defence.

Mr. GREEN: It was part of the press release of May 5th.

Mr. McGEER: Thank you, Mr. Green.

Mr. GREEN: You are quite welcome.

Mr. HOMUTH: We like to assist.

[Horace T. Hunter.]



By Mr. McGeer:

Q. May I quote you from page 81 of *Canadian Machinery* of June, 1938. The first paragraph on page 81 reads as follows:—

The Canadian army has some supplies of various types of machine guns for training purposes. The Lewis gun is now practically obsolete. Canada has a supply of Vickers guns and several more on order. In the summer of 1936 the Department of National Defence decided it would be necessary to arm the Canadian forces with the Bren gun, a Czechoslovakian invention now in wide use. It became clear that Canada could not look to England for supplies of the gun as the Enfield plant, near London, could not keep up with demand from Great Britain, nor could a plant in that location be regarded as a reasonably safe source for continuous supply in case of war. Because of heavy outlays for machinery, known variations in costs, etc., it was recognized that it would cost more for Canada to buy her own guns in her own country. However, the Imperial war office has added to the Canadian order for 7,000 guns, an order for 5,000, giving the Canadian firm licensed by the government to produce the gun, the John Inglis Co., Toronto, a 12,000 gun order, saving the Canadian people, on the authority of Hon. Mr. Mackenzie, \$1,380,000.

The terms of the contract were carefully scrutinized for over three months by the inter-departmental committee on profits, governing Canadian purchases of war materials, and a subcommittee gave special attention to it. Various suggestions were made, and possibilities examined with regard to government plants and other methods of carrying out the contract. Finally the business was placed with the Inglis company on a cost plus 10 per cent basis, the British share of the contract being on the same basis. The British war office has expressed itself quite satisfied with the contract.

Do you find anything wrong in that statement of fact in your own publication under date of June, 1938?—A. As to whether I found anything wrong in it, I would have to examine it clause by clause. It was published as the information that was available at that time.

Q. Examine it clause by clause and tell me what you find wrong with it.—A. I see nothing substantially wrong in it. I do not recall any definite statement made by the British war office.

Q. You have never had any occasion to criticize your editor for publishing those facts?—A. I would say no.

Mr. HOMUTH: Just a minute, Mr. Chairman. Mr. Hunter, the editor and your staff on the *Canadian Machinery* magazine in which the information was published—

Mr. McGEER: May I complete my examination, Mr. Chairman?

Mr. HOMUTH: Let us clear this one point up. Whatever they would publish in their magazine would simply be the information that they would get from the Department of National Defence.

Mr. McGEER: Mr. Chairman, I think if we are going to have this—

Mr. HOMUTH: Just a minute.

Mr. McGEER: May I speak to the chair?

Mr. HOMUTH: All right, Mr. Chairman.

Mr. McGEER: I have the floor, and you have no right to interfere.

The CHAIRMAN: Mr. McGeer has the floor and I will ask the hon. member to take his seat.

Mr. HOMUTH: Mr. McGeer is not going to run the committee.

The CHAIRMAN: No; but as long as I am chairman I am going to run it.

Mr. HOMUTH: If you are going to run fairly, all right.

Mr. McGEER: I think in an examination of this kind, where the motives and honour of men are involved, they should be given a fair opportunity to face the facts as they are being considered.

Mr. HOMUTH: This is the first witness you have felt that way about.

The CHAIRMAN: The hon. member will have plenty of opportunity to examine this witness when the present member of the committee is finished.

Mr. HOMUTH: He certainly will.

Mr. McGEER: I think it would be impossible for the committee—

The CHAIRMAN: Will you proceed with your witness, please, Mr. McGeer?

*By Mr. McGeer:*

Q. Mr. Hunter, I want to draw your attention to the minister's statement made in the House of Commons on May 16. Before I read it to you, may I ask you if you are conversant with practice with regard to publicity on armament programs, and whether or not you know that that practice limits the amount of information that is given with regard to armaments to a much greater extent than is the case with regard to other public matters? Do you know that to be common political practice in British countries? I am not saying whether you agree with it or not, but you knew it to be the practice?—A. They might limit it on more important factors, of course.

Q. You know as a matter of fact that it is limited; as a newspaper man you know that, don't you?—A. Now, in Canada they have been very free in giving information.

Q. Much more free than they are in Great Britain?—A. They are free in giving out information regarding their own actions.

Q. Much more free than they are in Great Britain in regard to giving out information in the matter of armament programs?—A. I could not give you an answer as to that.

Q. You could not give me an answer as to that; all right. But if it is a recognized practice in Great Britain to hold these matters in secrecy, where the Canadian government has a complementary contract with the British government to produce arms here don't you think we should respect that British practice?—A. I think we would consider it in the interest of the Canadian people—

Q. To respect such a practice?—A. As to what action we would take.

Q. Well, would you say that you would not respect the practice of Britain when they were commencing to establish an arms program here in the matter of publishing information to be given to the world as to what they were doing?—A. It is very difficult to give an answer to any hypothetical question.

Q. Very well, we will leave it at that. I quote you from page 2912 of Hansard of May 16, 1938:—

Mr. STIRLING: Why are we not now proceeding to produce some of these things? For instance, it is perfectly well known that all Canada has been able to get in the way of Bren guns has been a very small number for purposes of demonstration. Why have we not a contract at this time in some factory—

Mr. MACKENZIE (Vancouver): We have.

Mr. STIRLING: The minister says that we have. Would he give information with respect to it?

Mr. MACKENZIE (Vancouver): May I refer to some notes I have with reference to the matter? As far back as the summer of 1936 the Department of National Defence came to the conclusion that it would be necessary to arm the forces with the Bren gun, and that 7,000 of these

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guns would be required. A few model of specimen Bren guns were ordered, and it early became clear that Canada could not look to the manufacturing establishments of the government of the United Kingdom as a certain or timely source of supply reasonably safe from possible enemy action. The two model guns which we now have were made not in England but in Czechoslovakia where they were invented; the Enfield plant near London cannot satisfy the United Kingdom government's requirements before several years. The fact that the United Kingdom is not only willing but anxious to order 5,000 Bren guns from a Canadian manufacturer is of utmost significance. We received direct advice to this effect from the war office.

This memorandum was prepared before the actual contract was let. In view of the situation then existing it was deemed advisable to consider the possible necessity of having our requirements manufactured in Canada. The probable difficulties of the position of the United Kingdom were surmised here from the beginning. Because of known variations in cost factors, heavy outlays for machinery that would be required if the guns were to be manufactured in Canada, it was known that Canadian production costs would be more than English production costs; if only 7,000 guns were to be made in Canada, it was believed that the cost would be prohibitive under normal conditions. Such has turned out to be the case, to the extent that the placing of the 5,000 order in Canada will save something more than \$1,000,000 in cash to Canadian taxpayers. It is impossible to translate into dollars the other advantages to Canada in regard to extending our means of defence.

Therefore the Canadian government has let a contract for 7,000 Bren guns to a firm in Toronto, the John Inglis Company Limited. I believe it is. Then, the war office directly and not through the Canadian government has given a contract to the same firm for 5,000 guns. The terms of the contract were very carefully analysed and examined for over three months by the interdepartmental committee on profits, and a subcommittee of the main one gave special attention to the matter. Various suggestions were made and possibilities examined with respect to government plants, and in connection with various other methods of carrying out the contract. The contract, which I shall be pleased to place before the committee, was entered into on, roughly speaking, a basis of ten per cent cost plus. The war office contract is on exactly the same terms and conditions as the one with the Canadian government. From information available in the department it appears that the war office have expressed themselves as being satisfied with the terms of the contract entered into with this Canadian company in Toronto. In Australia they have a Bren plant which is publicly owned. That plant has been constructed, I believe, for two or two and a half years, but they have not yet got into production. I am subject to correction when I say that in England the Enfield company were two and a half years before they got into production, but they are now producing fifty Bren guns a week. A guarantee has been given that the Canadian company will be in production within twenty-four months. As a result of the separate orders from England and from ourselves, the actual saving will be \$1,380,000. We are using much of the plant which we had in storage in Canada, and there will be a considerable saving on capital cost of machinery, probably to the extent of \$250,000.

Mr. STIRLING: That is the machinery which was in storage at Valcartier?

Mr. MACKENZIE (Vancouver): Yes.

Mr. STIRLING: It is being used by this Inglis company?



Mr. MACKENZIE (Vancouver): Machinery is being supplied by each of the two governments, the Canadian government paying for two-thirds of the cost and the war office paying one-third. The ownership remains with this government.

Mr. CLARKE (Rosedale): Have any contracts been given out by the government on a cost plus basis?

Mr. MACKENZIE (Vancouver): If my memory is correct, there are six.

Now, do you find anything wrong with that statement?—A. I have no objection to giving you my opinion of that statement clause by clause; but surely we are dealing with the article we published.

Q. Of course, your article as a whole dealt with, and you yourself dealt with the minister's lack of frankness in this matter this morning?—A. Yes, I gave then an example of that lack of frankness.

Q. I am putting this to you, could you complain about that portion of the statement which says that we have a guarantee that production will commence within twenty-four months; that is one of the items that is very severely criticized but with respect to that I could show you the terms of the contract where it provides for the production of 583 guns to take place within the twenty-fourth month and six months thereafter—I mean, within the three year period; outside of that have you any complaints?—A. I would not—do you wish to take the time on that clause by clause?

Q. I wish to know what you find wrong with it; what do you find wrong with the minister's statement in that regard?—A. We had no complaint of the the manufacture of guns in Canada, we were always in favour of that. It was the placing of it with one company without investigation of the others.

Q. Is that the only criticism you had of it?—A. No. The saving that occurs of a million dollars, we have no quarrel with that; but as Mr. Justice Davis has said that same saving would accrue to any other company in Canada that got the work.

Q. I am going to show another difficulty with the minister that you criticized so severely, and do you know that your publications have joined in the demand that he resign from his position; you agree with that, don't you?—A. Yes.

Q. Reading from page 2932 of Hansard of May 16, 1938:—

Mr. WOODSWORTH: The minister has mentioned the protection of our neutrality. A matter occurs to me which, I believe, has not yet been discussed in the house. Within the last few days we have heard a great deal as to the possibility of Canada supplying planes or other munitions of war to Great Britain. In that case I fancy it might very well be that the first objective of any attacking force would be the factories in which such aeroplanes or war materials are being produced. In such event I fancy it would be difficult to protect our neutrality. It would be difficult to remain neutral if we were actively engaged in supplying materials of war to any nation, whether it be a British nation or a nation outside the empire. I should like to ask whether or not any arrangement has been arrived at by which no materials would be manufactured in or exported from Canada without a licence from the Department of National Defence, and whether in the granting of such licence consideration will be given to the added dangers which, it seems to me, would come to Canada because of the manufacture in this country of munitions of war.

Mr. Mackenzie (Vancouver): The licence referred to by the hon. member is not given by the Department of National Defence. It is a permit given, under the amended section 290 of the Customs Act, by the

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Department of National Revenue, which deals with these matters. May I say further that the Canadian government has not been a party in regard to the supplying of any munitions. In two or three minor cases up to date the British government have given orders to Canadian firms. One would be the National Steel Car order at Hamilton, and we know they have given an order for the Bren gun to the firm in Toronto to which the Dominion Department of National Defence gave an order. With these exceptions, very few orders have been placed with Canadian industry by the British government.

Mr. Woodsworth: When I referred to Canada I did not mean the government of Canada. I had Canadian firms in mind. It does not seem to me that this is a matter which concerns merely another department, in the same manner as other exports might concern that department. It seems to me these matters are vital to the welfare of the whole of Canada, especially from a military standpoint.

If I may repeat, it seems to me that the very fact we were producing munitions would create a greater danger for Canada, either the physical danger of being attacked or the constitutional danger in case we wished to remain neutral. Has the Department of National Defence taken these matters definitely into consideration when the contracts are being let to Canadian firms?

Mr. Mackenzie (Vancouver): The hon. member may rest assured that every possible consideration is being carefully weighed with respect to these orders.

You knew as a matter of fact that in Canada at that very time there was a large element and an articulate element clamouring against any co-operation by the Canadian government or by Canadian firms in the rearmament of Great Britain, did you not—A. We never entertained any such views ourselves.

Q. You never entertained any such views, but you knew there were many in different parts of Canada who did, did you not?—A. We knew there were some, yes.

Q. You knew there were some—A. Yes.

Q. Are you being frank with me?—A. I cannot give you the number.

Q. Because all the members of this committee were in the house and they probably did not have any more access to public information than you as an editor and publisher of 27 Canadian papers and journals; and I put it to you that you knew when your article was being prepared that one of the difficulties with the Minister of National Defence in co-operating with Great Britain in rearmament was the opposition that a substantial section of the people of Canada were voicing against doing anything that might effect our neutrality or our position of isolation?—A. All the more necessity for business like methods in the defence department.

Q. Well, I take it from you you did know there was a substantial section of the community opposed to co-operation with Great Britain?—A. We knew there were some, yes.

Q. You knew there were some; all right, we will leave it at that. Now, might I refer to Hansard again, and first I would like to draw your attention to the fact that in the statement the minister made he dealt with the Ross rifle equipment and made it abundantly clear that the two contracts with the John Inglis company; that is, the one between Canada and the John Inglis company and the one between Britain and the John Inglis company; were complementary contracts; he so stated, you understood that, did you?—A. I understood him to say that they were two separate contracts.

Q. But, complementary; do you remember the word complementary, did you overlook that?—A. In answer to your question I am reading from the article here; he said:

It is hard to understand why the Minister of National Defence appeared so uncertain in the House of Commons about some phases of the negotiations for the purchase of these guns, and why he placed so much emphasis on the fact that there had been no collaboration between his department and the war office in England in arranging the details of the two documents.

The Canadian contract was signed on March 31, 1938, between 'His Majesty the King, represented by the Honourable the Minister of National Defence for Canada,' and 'John Inglis Company Limited', of Toronto. As Mr. Mackenzie in his official capacity, was, therefore, a part to the contract, there must be some explanation for the fact that the contract itself and subsequent events clearly demonstrate the inaccuracy of several of his statements in the House of Commons. His anxiety to disclaim all knowledge of Major Hahn's activities prior to the signing of the contract must also arouse more than passing curiosity, in view of the facts now available.

Q. Let me quote you from Hansard of page 4120 of June 2nd, 1938:

Mr. Mackenzie (Vancouver): If my honourable friend will look over the discussions which took place in committee of supply when my own estimates were under consideration, he will find that in response to the question of some honourable gentleman opposite, details were very carefully stated at that time. There was no cooperative contract; the contract with the war office was signed by the Toronto firm entirely separately from the contract with the Canadian government; but, as the result of two complementary contracts being signed, there will be a saving to this government of over one and a quarter million dollars.

Just previous to that in the same address in answer to Mr. C. G. MacNeil (Vancouver North) the minister had this to say:—

Honourable Ian Mackenzie (Minister of National Defence): My honourable friend will find that I have already answered the question, during the discussion on my estimates. Very briefly, some machinery which has been stored for the last twenty years is being utilized for the manufacture of Bren guns, and the estimated saving to the department, according to the officers, is \$250,000. It is not being transferred to the ownership of a private corporation. The ownership remains in the government, two-thirds of the cost of the material being borne by this government and one-third of the cost being borne by the British war office.

And then he goes on to say, dealing with the question of co-operation:—

Mr. Woodsworth: I ask the minister how he reconciles his statement to me—

Some hon. Members: Order.

Mr. Woodsworth: —across the floor of the house, with the statements in this report?

Some hon. Members: Order.

Mr. Mackenzie (Vancouver): I want to assure my honourable friend that there was not the slightest intention to misrepresent the situation. In regard to the contract with the war office, this was declared to the house before he asked me the question on the floor of the house, and

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details were given, as they were asked, in committee of supply. There was not the slightest intention to suppress nor was there a suppression of any information, in the slightest degree. I say now in regard to these contracts that there has never been a co-operative effort between the British war office and the government of Canada except in regard to the Bren gun, and the two contracts in that case have been separately negotiated.

Now, the minister goes further in stating that there had been co-operation and he stated that as a result of the co-operation the British government is paying one-third and the Canadian government two-thirds, he stated that as a result of the complementary arrangement the Canadian people are going to save \$1,380,000, without indicating to the house that there had been definite, actual and real collaboration in the terms of the two contracts; how can you write in a magazine, in the face of this statement given to the members of the House of Commons, that there was no collaboration?—A. I think I read the answer very definitely.

Q. If you have read it, all right. You do not need to read it again. But let me put it to you this way. If you wanted to create suspicion against a minister dealing with a difficult situation and who had limited the information given to the house to what he thought was in keeping with British practice, you would charge him, would you not, with lack of frankness, if you wanted to do that as a propagandist?—A. We would base it on facts, if we did.

Q. Yes, but propaganda is not always based on facts, is it; that is, political propaganda, Canadian political propaganda, Tory political propaganda—that is not always based on facts, is it?—A. If we had any criticism—

Q. I know Liberal political propaganda is not.—A. If we had any criticism of the minister we would certainly base it on facts.

Q. Oh, well, you have given him plenty. You have gone to the point of criticizing him and saying he should resign. Can you go any further—and resign in disgrace? You see, the minister anticipated that because at page 4525 of July 1 he says:—

We studied the report of the royal commission in Great Britain of the Senate committee in the United States and of a distinguished committee in Ottawa under the chairmanship of Dr. Skelton, which sat two and a half years ago. They considered this one problem. As the result of the recommendations of that committee we tried to combine the principle of public ownership with private management. That is exactly the principle followed out to-day in connection with this.

That is the Bren gun contract.

I realize it is capable of political attack but I do say to my right honourable friend that it is the very best thing that can be done to-day in order to expedite matters and to do a job at the cheapest possible cost for the production of the material in Canada.

Mr. MACNEIL: What is the date?

*By Mr. McGeer:*

Q. Page 4525 of *Hansard*, July, 1938, commencing at the bottom of the first column. Do you find any fault with that statement? Do you think that the Minister of National Defence was not honestly stating the facts as he believed them to be to the house on that occasion?—A. We did not question his sincerity, we merely questioned his statements.

Q. There is just this one matter I should like to draw to your attention dealing with the question of the attitude of British statesmen and parliamentarians to matters of this kind. At page 4527 of *Hansard*, July 1, 1938, Mr. Mackenzie King told the house as follows:—

Possibly hon. members have noticed that this matter has been brought up in the British parliament at Westminster where replies have been made to questions asked. In the Ottawa papers of June 30 there appears a dispatch from London dated June 29, setting forth a reply that Sir Thomas Inskip, Minister for National Co-ordination, made to a question asked by Sir Percy Hurd, Conservative. Sir Percy Hurd asked what arrangements were being made to enlist Canadian co-operation in the government's re-armament plan. Sir Thomas Inskip replied:—

His Majesty's government in Canada, in common with His Majesty's governments in other dominions, have been kept informed in regard to the re-armament program of this country. The possibility of placing orders in Canada is under examination, and orders have been placed in certain cases in which suitable terms, including times of delivery, can be arranged.

That information was considered sufficient in the British House of Commons, and I say to you that it is not a tithe as fulsome as that given by the Minister of National Defence to the Canadian parliament.—  
A. There are still questions before the British House of Commons asking for further information.

Q. So you have the British war ministry still under suspicion, have you?—A. Not at all. We have nothing to do with them.

Q. But if they entered into the same contract as the Department of National Defence entered into they cannot be any less derelict in their performance of public duty than were those responsible for the administration of our Department of National Defence, can they?—A. Commissioner Davis said in his report:—

That pressure from Canada upon the war office during the period was continuous is in my view the proper inference from the facts directly proved in evidence.

That is from page 48 of the commissioner's report. Now, that pressure came from the Canadian end throughout.

Q. Do you suggest, then, that to secure the establishment of a corrupt and fraudulent contract, our government was sufficiently powerful to mislead the British war minister?

Mr. BROOKS: I object to that.

Mr. McGEER: You may object, but do it in the proper way.

Mr. BROOKS: I object the same as you have with other witnesses we have examined, with every witness since we began.

*By Mr. McGeer:*

Q. What I say to you, and I want to put the question fairly to you, is that you are criticizing the Bren gun Canadian contract and you say that if the British war office entered into a contract it was under pressure from Canada.—A. I am quoting Mr. Justice Davis.

Q. All right, we will leave that for the moment. Then do you say that if this contract which we in Canada have entered into is bad the British contract which the British war office has entered into in similar terms must be equally bad?—A. I would exclude, as Mr. Justice Davis excluded, the British war office entirely from consideration. We are dealing only with the Canadian contract.

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Q. All right. Of course what you are here to defend, you know, is a charge of a traitorous attack upon the British war office.—A. Yes, I answered that.

Q. As the Deputy Minister of National Defence put it to this committee, because we followed the example, as he said, of the British war office and took their advice, the attack on us cannot help but be an attack on the British war office. So I say to you do you now suggest that Canada was sufficiently powerful to mislead the war office under pressure in entering into a bad contract?—A. I take the same ground that is taken in the report here.

Q. He did not take anything on that ground. You are not getting away from that question by refusing to answer it because I may tell you, Mr. Hunter, that a refusal to answer that question, I think, would be worse than any answer you might give for yourself. And I want to be perfectly fair and frank with you about that.—A. Thank you very much. We made our criticism—

Q. And I am perfectly willing, if you want to leave it there, to let you leave it there.—A. I might explain here, we made our criticism in detail, not in general terms on specific items. I am here on general matters of policy. I did not write the article. I do not come here as an expert on this question at all. I come here as a person who is directing the policies of the company in broad, general terms. Colonel Drew will answer for his article.

Q. Quite correct, and I hope I am not embarrassing you with the details.—A. Not at all.

Q. We are all here, Mr. Hunter, in the hope of making some contribution to the security of not only the British Empire democracies but the democracies of the world in a time of serious trouble.—A. We are right with you there.

Q. It is extremely unfortunate that this question of motives has to be dealt with. It came up, unfortunately, as you know, and I do not blame you a bit for wanting to answer it. But what I want to put to you is this: That the British war office, as the minister of the crown responsible in Canada stated to parliament, has entered into a contract in similar terms to the one entered into by Canada. That is a matter of public record. You know that?—A. Well, the amendment that is made to the Canadian contract applies also to the British contract?

Q. It is not an amendment. You refer to the letter written with reference to the incentive clause, I take it?—A. Yes.

Q. That has never been included in the British contract. They do not think it is necessary. So if you are guided by legal opinion in the United States you are over-stating the facts when you suggest any saving that has been made in that regard. The British war office have not seen fit to take advantage of your assistance, in any event.—A. I do not know whether it is in order to ask, but is it your opinion that that is still in force with the British contract?

Q. Yes. I say that the letter written did not make any change in our contract at all; that there was ample protection in there, and that letter was wholly unnecessary.—A. They thought it necessary to get the letter.

Oh, well, people get excited and do foolish things, but that does not mean that because people do foolish and unnecessary things that you can take credit for something for which you have no right to take credit. I want to point out that it has not been included in the British contract. However, we will deal with that incentive clause more fully later on. I want to put it to you as a Canadian citizen and as a Canadian businessman and as one of the guardians of public opinion in Canada, if our Department of National Defence entered into a contract for the manufacture of Bren guns in terms almost identical with the terms of the contract of the British war office for the production of a similar weapon, could you find fault with that course?—A. We could if we could point out specific instances where the contract was not a good contract.



Q. And you say you have been able to do that?—A. The article speaks for itself.

Q. Therefore the British war office are subject to the same criticism as the Department of National Defence?—A. I have never understood in Canada that we took British opinion, much as we might respect it, as sacrosanct and as a law unto itself. We form our own opinions in Canada.

Q. Are you aware that the whole defence program of the Pacific coast is now being put in under a program surveyed and outlined by the British admiralty, and that it was checked and approved by no less a person than Lord Jellicoe and is now being developed through the assistance of British coastal and naval defence experts?—A. It had the approval of the Canadian government, I presume.

Q. It had the approval of the Canadian government. Are you aware that in the matter of armaments we look to the British war office for guidance, advice and assistance?—A. Absolutely, and quite properly.

Q. And if we look to them for assistance and guidance in the matter of the terms of a contract for the production of a new weapon, production of which was actually being experimented with and being brought about by the British war office, where could we go better for advice and assistance and guidance?—A. Would we not have the same privilege of criticizing any British action as a British member of parliament?

Q. I said, where could we go that would be better from the point of ordinary plain commonsense, as a businessman? I am asking you, from what other source could we get any information about a contract of this kind?—A. I stated it is an excellent source, but we do not sacrifice our autonomy.

Q. If the responsible officers of the Department of National Defence of Canada took that course and followed it, do you think they should be placed under suspicion for fraud and corruption?—A. I have nothing to do with fraud and corruption.

Q. Well, do you think that that course is open to that kind of a charge?—A. If we had any charge to make or any comment to make it would be on some specific point.

Q. All right. Then I reduce the matter from fraud and corruption—which I am going to assume you charged, the Maclean Publishing Company, and deal with it later—to negligence. Let me put the question to you fairly again. If the Canadian Department of National Defence developing the terms of the Bren gun contract with the John Inglis company went to the British war office for advice and guidance and acted upon their advice and guidance, do you think they should be charged with negligence?—A. They did not act on the advice—

Q. I am not saying whether we did or not. I will show you that in the exhibits before this committee. But I say if that was the case would you as a businessman think they should be charged with negligence?—A. I would only think they should be charged with negligence if we could point out something that was unbusinesslike and poor business practice.

Q. And if the British war office advised that course which you think is unbusinesslike and poor business practice, notwithstanding the British war office advice that that course be followed, and they followed that course, would you still charge negligence?—A. I would retain my freedom of opinion and freedom of action in criticizing these specific points.

Q. All right, let me put this to you. You spoke of being possessed of real knowledge of propaganda, and I rather judged that you acknowledged that this was a good propaganda article with which to arouse public opinion.—A. No, I did not use any such term.

Q. Well, I think we will leave that to the committee to judge for themselves. I think it is a splendid piece of propaganda work, the best I have ever seen.—A. It is purely informative as our duty to our subscribers requires.

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Q. I suppose the green headlines are informative?—A. I will give you any colour you like.

Q. Well, we know why that is done. I suppose the exclamation mark is informative? And you told us that that article was so successful that it developed at least a billion words of publicity, did you not?—A. It created that interest.

Q. Yes. I think you will agree with me that it would be extremely unfortunate if, in a critical time of this kind, it created an unfair condemnation of the Department of National Defence and the British war office re-armament programme which is now under way.—A. My answer to that would be very definitely that if you have a rotten situation, you have got to clean it up before you can make any progress.

Q. We will agree on that. But everybody who has participated in that billion word discussion aroused by your article has not believed that it is a rotten situation from the Department of National Defence or the war office point of view, have they?—A. The majority have.

Q. The majority have?—A. Yes.

Q. Let me refer you to one article in a news item of the Winnipeg Free Press, quoting Lieut.-Col. R. H. Webb. You know Lieut.-Col. R. H. Webb, former mayor of Winnipeg?—A. I know of him.

Q. Of course you know of him. He is one of the best known in western Canada, is he not?—A. I know of him.

Q. He is a former Conservative organizer of the province of Manitoba, and former mayor of the city of Winnipeg. That is right, is it not? You know that?—A. I have heard of him as former mayor of Winnipeg.

Q. You have heard of him as former Conservative organizer of Manitoba, have you not?—A. I am not as familiar with his career as you are.

Mr. DUPUIS: You do not cooperate.

*By Mr. McGeer:*

Q. You know that he is a member of the legislative assembly for the province of Manitoba?—A. I will take your word for it.

Q. This is what he said on or about the 14th day of March, 1939. Lieut.-Col. R. H. Webb, M.L.A., said, Saturday morning—then he quotes something about Herridge's which we do not need to have. The article concludes as follows:

He did not think that Hon. Ian Mackenzie, Minister of National Defence, would resign. "Why should he?" he demanded. "He is just the victim of dirty, political attacks. If there had been anything wrong about the Bren contract, Commissioner Davis, who did not receive his judgeship from the present Liberal government, would have discovered it."

A. He did discover it.

Q. You still say the Minister of National Defence should resign, I take it?—A. Yes.

Q. Well, at least, one distinguished conservative returning from a conference of Conservatives in Canada did not hold that opinion. You agree with that?

Mr. MACNEIL: What has that got to do with it?

Mr. DOUGLAS: Was that a news item or an editorial?

Mr. McGEER: I said it was a news item.

Mr. HOMUTH: What date was that news item Mr. McGeer?

Mr. McGEER: March 14, 1939, or about then. Here is another one in the *Gazette*.

*By Mr. McGeer:*

Q. You know that *Gazette* of Montreal?—A. Yes.

Mr. MACNEIL: May I ask why Mr. McGeer is examining the witness on this point?

Mr. McGEER: Because he said he had produced a billion words of publicity.

Mr. BROOKS: You want to make them two billion.

Mr. DOUGLAS: About half of that has been in this committee.

Mr. McGEER: Dealing with the present situation the *Gazette* says this:—

The war office, as most people are aware, comes into the picture because the Canadian department sought its counsel and the Canadian contract with the Inglis Company was supplemented by a war office contract in order to provide quantity production and thus facilitate or ensure manufacture in this country. General LaFlèche's argument that attacks on the Canadian department are attacks upon the British war office is somewhat difficult to answer in these circumstances.

The Deputy Minister is not, of course, an impartial witness, having participated in the negotiation of the contract with the Inglis Company. This does not, however, exclude the possibility of his being an accurate witness. Certainly he speaks from personal information and with the full authority of his position in discussing the contract itself. Furthermore, he ought to know, again by reason of his official position, whether or not and to what extent the flogging of this long dead horse has hampered the Defence Department in proceeding with necessary re-armament projects. It is true that during the World War there were investigations into munition contracts, army boot contracts, medical supply contracts, remount orders and so on, and that these were held while the war was still in progress. It is not apparent that they weakened the country's war effort. This Bren business, however, cannot be judged according to these old precedents, and for two reasons. In the first place the negotiation of this contract marked the commencement of gun manufacture in this country under the present government's re-armament program. It marked the beginning of small arms manufacture in Canada as part of that program, practically the beginning of an armament industry.

The creation of a political issue out of this initial effort, if it has not delayed re-armament, can scarcely have expedited execution of what is at best a limited program. This could easily have been foreseen and only the strongest grounds of criticism could have warranted an attack at that stage. Were there such grounds? There has been plenty of criticism, plenty of accusation, but the *Gazette* has never been able, in any of the evidence presented, to locate very solid ground for the attack which has been made. There has been a great volume of smoke but it has been extremely difficult to locate the fire. It will be recalled, too, that as soon as the charges were launched the government ordered an inquiry by a royal commissioner, a judge of the Supreme Court. That inquiry was held. It was protracted and thorough. No favour to the Department of National Defence was shown during the course of the investigation but the department emerged from the trial with its good faith vindicated. But the clamor was not permitted to subside with the presentation of the commissioner's report. It has been continued through a second investigation conducted by a parliamentary committee, and parliamentary inquiries are invariably conducted on party lines. They seldom produce anything but political capital . . .

Mr. MACNEIL: Hear, hear.

[Horace T. Hunter.]



Mr. McGEER: Let the gentlemen speak for themselves. Continuing:—

—and it does seem rather unfortunate from the national point of view that two political groups should be wrangling over an issue already decided through an unprejudiced investigation by royal commission. It does seem that political considerations have been placed above the national interest and to that extent there is some justification for the extremely vigorous protest which General LaFleche has put into the record.

It is to be noticed that General LaFleche was not criticizing parliamentarians. He was criticizing you. So that the Montreal Gazette now supports General LaFleche in his condemnation of you and your associates, Mr. Hunter.

Hon. Mr. STEWART: That is not a fair deduction.

Mr. SLAGHT: Yes, it is.

Mr. FACTOR: He can take care of himself.

Hon. Mr. STEWART: Certainly he can; but that is not a fair statement to make.

The WITNESS: I wonder, after that statement, if I could read from Mr. Justice Davis' report at page 35. He says:—

The facts are all in evidence; and as said by government counsel in opening their argument

"So far as the facts are concerned, there are very few which are even in dispute."

I cannot myself recall at the moment any fact to which direct proof was adduced that is in dispute. It will be for those charged with the responsibility of dealing with the facts, i.e., the government and parliament, to examine and study them and to take such action, if any, thereon as they may see fit.

It does not indicate that there was a settlement.

*By Mr. McGeer:*

Q. You are also aware that, on the finding of those undisputed facts, the commissioner found: "The contract is not for a fixed sum; it is on a cost-plus basis. It is admitted that we do not know how much the guns are going to cost. There are, of course, adequate powers of inspection, supervision and control vested in the department under the contract and with the estimates from Enfield of what the guns there are costing, it should be possible to keep actual costs here well within bounds. No substantial objection can be taken in my view to the provisions of the Canadian contract—"

Mr. DUPUIS: That is Mr. Justice Davis.

Mr. DOUGLAS: Read the rest of it.

The WITNESS: The rest of the paragraph is very interesting.

Mr. McGEER: Yes. He says:—

—though in the absence of any competitive bids or terms of manufacture I am unable to pass upon the subject as distinct from the form of the contract.

This committee has dealt with that.

The WITNESS: The next is very important.

Mr. McGEER: Or, at least, we are dealing with it. As a matter of fact, the evidence before this committee, if I am able to judge it, will indicate very

substantial and beneficial results accruing to the Canadian government, which are even more beneficial to us than the results accruing to the British taxpayers from the British contract.

Mr. HOMUTH: That is not the finding of this committee.

Mr. McGEER: I know. I said that is what I thought was the interpretation of the evidence so far. It may be disputed.

Mr. HOMUTH: We do dispute it.

Mr. McGEER: I am not surprised at that.

The WITNESS: Mr. McGeer, if I may interject a remark there, I would say that we are here because our action was criticized.

Mr. McGEER: I quite agree.

The WITNESS: But the words immediately following that point I think answer the motives that we had. Mr. Justice Davis goes on there and says:—

It is important, of course, that the contract be a good and business-like contract; but what is more important after all is whether the procedure adopted in making the contract was that best calculated to protect the public interest and to secure the confidence of the people of Canada that there would be no improper profiteering in the manufacture of war armaments for the defence of the country.

*By Mr. McGeer:*

Q. Quite so. But, of course, you are aware of the fact that this government that is under fire by you appointed the Skelton committee. You remember that. You are conversant with that fact. I take it, as a man responsible for this article, you have read the Skelton committee report to the government in which they advise against public ownership of the production of arms in Canada at this time?—A. Of course, that is not the point.

Q. Just a minute. Are you conversant with that report?

Mr. DOUGLAS: Mr. Chairman, I rise to a point of order. Mr. McGeer sums up a report in a sentence, and it is not an accurate summary of that report. He should either quote from the report or not try to summarize it in that way. That is not an accurate summary.

*By Mr. McGeer:*

Q. Are you conversant with the Skelton committee report?—A. I should not care to give evidence on that.

Q. You would not care to give evidence on that?—A. No.

Q. There is one thing I think we all agree on namely, that the Skelton committee recommended the establishment of an interdepartmental committee to review contracts, with the power to advise and act to prevent improper profiteering. You are aware of that recommendation?—A. Yes; and Mr. Davis said that committee broke down.

Q. We have already dealt with that. That interdepartmental committee was a committee of very competent, capable, responsible men. That committee did sit on the contract for a considerable period of time. That was one of the protective measures that were available to the Department of National Defence and to the taxpayers. Let me give this fact. This contract was negotiated on the advice of the Department of National Defence and its technical and legal officers. We have had Mr. Orde; we have had Mr. Jolley and we have had the Deputy Minister before us. It also was canvassed and reviewed by the interdepartmental committee, as is shown by Mr. Elliott's evidence. In addition to that, as was stated to the interdepartmental committee by the Deputy Minister of National Defence, the contract would not be signed until

[Horace T. Hunter.]

it was scrutinized by the British war office. We have a letter from Sir Harold Brown, formerly director of contracts in the British war office and now Master General of the British Ordnance, that his department, the war office, had scrutinized both the Canadian and the British war office contracts, clause by clause, and approved them subject to certain amendments which they returned and which were adopted. I know it is difficult to prevent profiteering in public contracts and in armament contracts—

Mr. MACNEIL: Mr. Chairman, I rise to a point of order. Is Mr. McGeer lecturing the witness or examining him? I find it difficult to know what the question is. What is the question?

*By Mr. McGeer:*

Q. I am putting this to you, that that was the course followed here. If that was the course followed, do you find any fault with it?—A. Yes. I find that Mr. Justice Davis spoke of Col. Orde. He said:—

No lawyer (excepting Col. Orde who as Judge Advocate General has multifarious duties and would not claim to be a commercial lawyer) passed upon the intricate terms and conditions of the contract for the department; apparently the Department of Justice was not consulted.

That surely is criticism from the commissioner.

Q. But that may not be correct.—A. That is the commissioner's finding.

Mr. DOUGLAS: Have another royal commission.

Mr. BROWN: You are the only one who is right.

*By Mr. McGeer:*

Q. Did you know there was such an exhibit as a letter from Sir Harold Brown on the record? Will you turn up exhibit 277 for me, Mr. Clerk? There have been such things as judgments even by distinguished judges not only reviewed but reversed on appeal, where they have gone wrong on their findings of facts.

Mr. HOMUTH: If he was wrong in that, might he not have been wrong in everything he said?

Mr. McGEER: Maybe. I do not think even the Hon. Henry Hague Davis would suggest that he is infallible.

Mr. DOUGLAS: Do you question his statement about there being no corruption?

Mr. McGEER: Do I question his statement about there being no corruption?

Mr. DOUGLAS: Yes.

Mr. McGEER: This is a letter of the 11th of February, 1938, from Sir Harold Brown to the Deputy Minister of National Defence and reads as follows:—

During the past few days we have had some long discussions with Major Hahn, in which we have been greatly assisted by the excellent way in which the two draft contracts had been drawn up. They have been discussed clause by clause, and some minor amendments, intended to make the intentions of the parties more clear, have been agreed with Hahn, and also one amendment of some importance. I cabled this information to you, through Canada House, on the 9th instant and I now enclose a list of the amendments.



The WITNESS: What is the date of the letter, if I might ask?

Mr. McGEER: It is dated the 11th day of February, 1938. The Canadian contract was signed on March 31st.

*By Mr McGeer:*

Q. You see, in addition to Col. Orde we had probably one of the most efficient lawyers in the Canadian service on that particular kind of thing, Mr. C. Fraser Elliott, who as the Skelton committee report shows gained a wide experience in administering the war profits income tax; and we have the other members of the interdepartmental committee, and obviously from this letter, Exhibit No. 227, we have the whole organization of the British War Office that reviewed our contract clause by clause at the same time they were reviewing their contract clause by clause. Now, do you think that it is fair on the basis of these undisputed facts to say that the only legal assistance we had was Colonel Orde who had no commercial experience?—A. I did not say the only experience you had. I said Mr. Justice Davis strongly recommended, he said there should have been an expert commercial lawyer.

Q. We had an expert in Mr. Fraser Elliott, and we had all the expert advice that the British government uses in the rearmament of Great Britain; what more do you want?—A. I quote from the report, "No lawyer except Colonel Orde who had multifarious duties passed upon the contract terms".

Q. Did you have the Davis report before you when the article was published? No, certainly you did not. You cannot go behind it now to excuse this article or the motives that prompted it. You see that is a very similar situation, Mr. Hunter.—A. I believe—

Mr. MACNEIL: Was there anything in the article about the lawyer?

Mr. McGEER: Was there? You will get to know what is in this article if you sit there quietly long enough. You don't need to think I am going to miss anything that is here?

Mr. MACNEIL: Not for a minute.

*By Mr. McGeer:*

Q. Now, I suppose this editor's note, "the following article went to press on August 9. The author's statements are based on departmental records as of August 5;" I take it that that was put in there for a purpose?—A. Exactly.

Q. What purpose?—A. Exactly the purpose stated, to inform the reader that the following article went to press on August 9th the author's statements are based on departmental records of August 5th, that events might transpire while the article was in process of printing, which would contain information that we would not have.

Q. So that it deals with departmental records existing prior to August 5th; that is, up to August 5th and prior to that. It is not confined to articles dated August 5th, I mean?—A. No.

Q. I am taking it that the clear general meaning of that is that the statements in the article are based on departmental records established up to August 5th, 1938?—A. Yes.

Q. Did you have anything to do with the insertion of that statement?—A. No.

Q. But it was put in there and inserted to guarantee the truth of the statements as having been taken from departmental records, or to assure the reader that the statement had been checked with departmental records?—A. It is common practice to put in a statement of that kind in fairness to any people about whom references might be made, that anything transpiring after that date was not available at that date.

[Horace T. Hunter.]

Q. I think you have made that very clear, that great care was taken to check up, to trace statements that were made that were statements of importance; as a matter of fact you made that statement this morning?—A. Yes.

Q. Who checked these statements with the departmental records in your office, or in your organization?—A. That work would be under the control of first the author and then one of the editors.

Q. I didn't get your answer, would the reporter read it please?

REPORTER: The answer was: "That is work that would be under the control of first the author and then one of the editors."

*By Mr. McGeer:*

Q. First the author and then one of the editors; who was the editor who checked it, do you know?—A. Mr. Napier Moore and Mr. Irwin would take part in that.

Q. Did you make any effort before the article was published to check the truth by calling in the representatives of the John Inglis company?—A. I could not answer that.

Q. You could not answer that question?—A. I do not know.

Q. You do not know. Do you to your knowledge know of any such effort being made?—A. No. I would take no part in the writing or the checking of the article.

Q. Well, I will put it to you in this way; the John Inglis company heard that this article was going to be published and they telephoned to *Maclean's* magazine and offered to give them all the information that they had and asked for a conference before the article was published, and they were told that the article was set up and it was going to be printed and there would be no opportunity to discuss it; do you deny that that is the fact?—A. It did not happen in those exact terms.

Q. All right, tell me your version of it?—A. The only contact I had with the John Inglis company was the conversation referred to this morning as of August 12th.

Q. What was it?—A. I will read it:—

On August 12, 1938 some two weeks before the appearance of the article, Major Hahn called me on the telephone. He stated that he had heard we intended to publish an article by Col. Drew bearing on the activities of his company. I replied that we were planning to publish such an article. He then stated, and stated very emphatically, that if we published this article and he found that it contained any grounds for legal action against us he would at once institute proceedings.

I replied that we had checked minutely all statements made in the article and were prepared to accept full responsibility for their publication. I stated further that we were convinced publication of the information contained in the article was in the public interest; and that the public interest was of much greater importance than the immediate private interest of either his company or our own.

Q. He did give you an opportunity to have any information he had, did he not?—A. I have no doubt he would have, I do not recall him offering it.

Q. Now, I put this to you: here is a man, the head of a factory, as stated by your own publication to be well known in the industrial and financial circles of Toronto and Canada engaged in the production of an essential weapon for the defence of Canada and Great Britain and you are about to publish a sensational article that would place him under suspicion, do you not think it would have been fair to discuss fully with him in the public position that he held the criticisms you were going to make against him before you did it?—A. We criticized the contract which was a document which we had in our hands.

Q. But you criticized Hahn?—A. Pardon me.

Q. All right, we have got your answer on that. Did you submit the proof of this article to the Department of National Defence of Canada?—A. Not to my knowledge.

Q. Well then, do you think as a publisher of papers circulating throughout the whole Dominion of Canada that that would have been the right and proper course to follow in the interests of national security?—A. It would, if we had required information that we thought they could give and would give.

Q. Did you submit the proof of that article to the British War Ministry?

Mr. DUPUIS: I suggest that that is going rather far afield, in all seriousness.

Mr. McGEER: I am not laughing about that, I do not think there are any others who will laugh at it either. I am not asking that question in any spirit of facetiousness.

*By Mr. McGeer:*

Q. Did you?—A. No.

Q. You knew the British situation was serious?—A. That is exactly why we wanted to get things on a sound basis.

Q. And you knew the war office were trying to get a secondary supply basis on armaments established in Canada?—A. And we knew we could only get them—

Mr. GREEN: Mr. Chairman, the witness should be allowed to finish his answer.

Mr. McGEER: Yes.

*By Mr. McGeer:*

Q. But you thought it would be in the interest of Empire defence to publish this article without ever giving the British war office an opportunity to tell you whether your statements were true or false?—A. We checked the facts. They stood up without question.

Q. All right; now we will come to another feature. Besides this green headline—it is very intriguing to me, there are some other devices in this set up, are there not; for instance, you have a picture of the Bren gun there?—A. Apparently.

Q. Where did you get that?—A. I could not tell you.

Q. You have a picture of Hahn there, haven't you?—A. Yes.

Q. Do you know who Major Hahn is?—A. I do.

Mr. McPHEE: Would the witness answer a little louder, please, we cannot hear.

The WITNESS: Yes.

*By Mr. McGeer:*

Q. Now, I draw your attention to the reference to him in column one where it says; "substantial profits are to accrue to the John Inglis Company Limited and its promoter, Major James Emmanuel Hahn of Toronto"—was that full name put in there for any reason?—A. It would be of interest to our readers to identify him.

Q. Oh, you wanted to identify him honestly and uprightly, didn't you?—A. I do not know that he was ashamed of the name at all.

Q. No, no, no; I do not think he is. Did you refer to him again in the second column as Major Hahn in the spotlight—the figure in the spotlight is Major James Hahn of Toronto. Why was he in the spotlight?—A. The article would seem to demonstrate that.

Q. Yes. He would not be in the spotlight if he had merely done a service to the United Kingdom and Canada in building up the legitimate supply of essential weapons of defence, would he?—A. There was no plant in existence at the time this order was signed.

[Horace T. Hunter.]



Q. I said, Major Hahn would not have been in the spotlight if all that he had done would have been to contribute a real service by setting up a Canadian organization for the production of the essential arms for British and Canadian defence, would he?—A. I do not know that there is any criticism in saying that a man is in the spotlight.

Q. No. Well, is every man who is going to engage in the production of armaments for Canadian and British defence going to be described in your press as being in the spotlight?—A. It is usually considered a complimentary phrase.

Q. Oh, all right. Do you suggest that this article is complimentary to Major Hahn?—A. I am not making any suggestions whatever.

Q. I may tell you it is not complimentary to Major Hahn, and was not intended to be, and everybody in this room thinks so?—A. We had no concern as to whether it was complimentary to anyone, we were interested in only one thing, giving information to our readers.

Q. Did you know that Major Hahn had a distinguished war record?—A. Yes, I think we say so.

Q. Where? Show me once in this whole article where you say anything about his war record?

Mr. DUPUIS: That was the paragraph taken from the copy.

Mr. McGEER: Show me.

*By Mr. McGeer:*

Q. You knew, as a matter of fact, that Major Hahn went to the war, that he was wounded and served throughout the war, didn't you?—A. Yes, we made no criticism whatever of his war record.

Q. You knew—I don't suppose—

Mr. McPHEE: What was his answer to your former question?

Mr. McGEER: He hasn't got any answer to that. That is the only reference to him in the whole article. There is no reference there to his war record.

*By Mr. McGeer:*

Q. Where did you make mention of this creditable record? Perhaps it was in the *Financial Post*? But you didn't in this article, and it is this article we are dealing with now?—A. Regardless of what a man's record might be, what we were interested in was his capacity to make munitions and to produce them quickly.

Mr. GREEN: I think we should be fair in this connection; it says, "The figure in the spotlight is Major James Hahn, of Toronto, who went to France with the First Canadian Division."

Mr. McGEER: I read that. It was on that that I was examining Mr. Hunter.

*By Mr. McGeer:*

Q. You knew that Major Hahn was decorated for valour on the field of battle with the Distinguished Service Order and the Military Cross?—A. Every credit to him.

Q. You knew that he was wounded twice; once almost unto death, didn't you?—A. Of course, I did.

Q. And you knew that he had served on the headquarters staff in both the operating and intelligence divisions, didn't you?—A. Yes.

Mr. BEAUBIEN: Can we get your answers a little louder; we want to hear you?

The WITNESS: All right.

*By Mr. McGeer:*

Q. You didn't mention a word about that record?—A. It was not relevant to the manufacture of armaments.

Q. It was not relevant to the manufacture of armaments.—A. We have many V. C.'s in Canada but we would not have asked any of them to manufacture 12,000 Bren machine guns.

Q. Yes, but we find your other publication saying that Major Hahn was well known in financial and industrial circles?—A. He might be well known; that is quite a proper statement.

Q. Was there any criticism of him?—A. We made no criticism.

Q. As a matter of fact, the whole record, and particularly the evidence of Mr. Gillespie, pays a high tribute to the efficiency of the organization that Major Hahn has developed?—A. Yes, but we were speaking of the organization in existence at the time the contract was made.

Q. Oh, oh, I see; and because you did not know whether Hahn had the capacity to carry out this contract or not you decided to leave out his war record?—A. It would be a matter of space.

Some Hon. MEMBERS: Oh! Oh!

*By Mr. McGeer:*

Q. Now, I am putting it to you as a practical newspaper man, if you wanted to put out propaganda against Major Hahn and the Department of National Defence you would not present Major Hahn in any more favourable light to the Canadian public than was purely necessary, would you?—A. We were not issuing any propaganda against Hahn or the Department of National Defence, we were examining the businesslike terms of the contract.

Q. I want to draw your attention to a couple of other pictures in reference to which you did not miss any titles at all. You published the picture of the Minister of National Defence, and you set out, "The Honourable Ian Mackenzie, Minister of National Defence," and below that a picture of Mr. Hugh Plaxton with the words, "Hugh Plaxton, M.P." Can you tell me, Mr. Hunter, if it was not deliberate propaganda of a political nature, why you put in the political titles of the Hon. Mr. Mackenzie and Mr. Plaxton and left out the war record and the military decorations of one of Canada's outstanding veterans? Tell me that.—A. You have got to give the editors of the article credit for putting into the article what will be of interest in developing a subject. They could not put in everything that they might like to put in about the various parties concerned.

Q. Would it have cost you anything to have put in, D.S.O., M.C.; would it have cost anything in the way of time or effort to have added after this thing, "He went to France with the first Canadian division, served throughout the war and had a distinguished war record—D.S.O., M.C., twice mentioned in dispatches and twice wounded; connected with the intelligence department and the operations department." Would that have taken any time or effort on your part or on the part of Colonel Drew?—A. It is not customary in writing articles to give a full biography of any man who is brought into the picture.

Q. Do you say that a full biography of Major Hahn would be confined to less than two lines of type?

Mr. DUPUIS: Mr. Chairman, I object very strongly to the witness being advised by his neighbour. Generally we have enough confidence in the witness to speak for himself.

Mr. McGEER: I do not think we need to object to that. We appreciate your position here, Mr. Hunter, and if there is any assistance you need, all right. We have not allowed counsel here. Colonel Drew is with you. I do not think we should object to that.

The CHAIRMAN: May I explain that it is customary in this committee, as my honourable friend knows, that witnesses are entitled to have technical advisers sit with them. The gentleman who is sitting alongside the present witness, I understand, is one of the editors of the Maclean organization.

[Horace T. Hunter.]

Mr. DOUGLAS: May I point out to Mr. Dupuis that when the minister was before this committee the deputy sat at his elbow throughout the time he gave his evidence.

Mr. McGEER: Of course, that is parliamentary practice. You do not expect a minister to be conversant with all the details of the department. That happens in the House of Commons. However, I am not objecting to that, Mr. Douglas.

Mr. DUPUIS: I thought the witness had enough confidence to speak for himself.

The CHAIRMAN: I submit to my honourable friend that we have covered that point.

*By Mr. McGeer:*

Q. I want to put it plainly to you because I suggest the inference to me is plain that the set-up of this article designedly and effectively conveys to the public mind that Hahn is guilty of conduct unworthy of a man in charge of a company with a British armament program and that that was the intention you intended to convey to the public.—A. Nothing of the kind. I might say further, as it strikes my eye here, the author of the article, Lieutenant Colonel George A. Drew—we did not give his decorations.

Q. What are they?—A. You can ask him.

Q. What are they? Has he got a D.S.O. and M.C.—A. He has decorations.

Mr. BERCOVITCH: The jubilee medal.

*By Mr. McGeer:*

Q. Here is another bit of very informative pictorial information. That is a picture of the plant. Who took that picture?—A. I could not tell you who took it. It looks like a photograph.

Q. When you want to present a plant to the public of Canada do you usually go off across a railway track and take it from the rear of the building? I am putting it to you that that picture was taken from the rear of the plant across a railway track and from a point which shows less of the plant than any other point which could have been selected. And the members of this committee went up and looked at it. Why did you do that?—A. You looked at the plant after additions had been built.

Mr. GOLDING: I knew it years before. I worked in it.

*By Mr. McGeer:*

Q. There is the John Inglis plant as it was when your picture was taken, Mr. Hunter.

Mr. BROWN: That is not a bad picture.

The WITNESS: I think our picture gives a better view of the plant than that one.

*By Mr. McGeer:*

Q. You are not shortsighted are you, Mr. Hunter? I would like you to take a look at these two pictures and say, after a little closer vision, whether you are still of the opinion that the picture from the rear is the better picture.—A. Our picture gives a more extensive view of the plant than either one of them.

Q. Well, I am showing you this picture. This picture shows three buildings. That picture shows one. Your picture shows one picture, does it not?—A. This picture shows a more extensive plant than that, in my opinion.

Q. I say your picture shows one building, does it not?

Mr. MACNEIL: Oh, no.

The WITNESS: No.



*By Mr. McGeer:*

Q. How many does it show?

Mr. BROWN: There is only one building used for the manufacture of the Bren gun.

Mr. McGEER: Nobody is talking of the building used for the manufacture of the Bren gun, I am talking about the picture of the John Inglis plant.

Mr. GOLDING: Which they tried to discredit.

*By Mr. McGeer:*

Q. The picture which you call here the John Inglis plant in Toronto. That is what you describe it as, is it not?—A. Right.

Q. And it is a picture taken from an angle which shows only one building; is that right?—A. No.

Q. How many buildings does it show? These little buildings are not part of the John Inglis company plant in front. You knew that, did you not?—A. I could not identify them.

Q. In any event, let me tell you there are fourteen buildings in the John Inglis plant.—A. None of them operating on the day the contract was signed.

Q. But I am putting to you what you were trying to convey to the public of Canada. Why did you not take a picture from the front of the building showing as this picture does a series of three buildings, or why did you not take a picture from the front of the building showing the picture on page 2 of this pamphlet which I now show you and which I want to place in the records? I am asking you why didn't you do that?—A. We published the picture that we thought gave a representation of the plant.

Q. Did you ever go and look at the plant?—A. I have seen it.

Q. Before you published this article, did you go through the plant?—A. I have not been through the plant.

Mr. MACNEIL: What is being done with these photographs?

The CHAIRMAN: Exhibit 15.

Mr. MACNEIL: May we know when they were taken and by whom?

Mr. McGEER: As a matter of fact, I will identify them later. These were taken, I think, this year. They show the John Inglis plant in operation.

Mr. GREEN: How many hundred thousand dollars' worth of government machinery do they show?

Mr. McGEER: In the two pictures to which I have referred, Mr. Green, none.

Mr. MACNEIL: May we know whether they show the section of the Bren gun division?

Mr. McGEER: They do. But I was not putting them in for that, Mr. MacNeil. They are in for all purposes, so far as I am concerned.

*By Mr. McGeer:*

Q. Of course you will agree that when men are being subjected to severe criticism, they are at least entitled to a fair statement of their worthy side at the same time, do you not think so?—A. We try to be fair always.

Q. Then I put it to you as a Canadian publisher and as a Canadian citizen and as a Canadian businessman, do you think that the publishing of a picture taken from the rear of a plant is a fair way to present that plant to the public of Canada?—A. I think that picture gives a fair presentation of the plant.

Q. How would you like to have your own picture published from the rear?—A. We always keep out in front.

Q. Is that your idea of fairness?—A. I have stated I consider it a fair presentation.

[Horace T. Hunter.]

Q. You do admit it is taken from the rear of the plant, do you not?—  
A. It is a fair presentation of an industrial plant. However, I do not think it is important in connection with the manufacture of an eight million dollar order.

Q. But, Mr. Hunter, you are saying that this plant was not worthy of the contract.—A. We are saying that the plant was not a going concern; that it did not have the experienced workmen ready to go right on with the job and that there were other plants in Canada that were in that position.

Q. Name one.—A. The Steel Company of Canada.

Q. There is no evidence to that effect here.—A. There is in the report a list of half a dozen of them.

Mr. BERCOVITCH: Oh, no.

*By Mr. McGeer:*

Q. Mr. Hunter, let me read that for you because, apparently, you have no idea of fairness in propaganda and it is now becoming apparent that you cannot read. Just let me show this to you. I am not talking foolishly.

The sub-committee made its report on January 13, 1938 (Exhibit 50).  
The report contained in part the following:

Having in mind the main committee's suggestion that competitive bids be called for, the sub-committee, as an indication only of the names of concerns from whom competitive bids might be asked, mention—

The Steel Company of Canada,  
Dominion Bridge,  
Canadian Car and Foundry Co., Ltd.,  
Bertram Company,  
National Steel Company,

and possibly automobile manufacturers who probably have suitable plants and precision tools together with such others as, in the opinion of the main committee, might be asked to tender.

There is no evidence submitted that any of those concerns were equipped with either machines or men of experience to produce the Bren gun and, furthermore, we have evidence to the effect that there was no such plant with experienced men in Canada.—A. They were all well equipped companies experienced in precision steel work, well financed and capable of going on with any order that might be placed with them.

Q. As a matter of fact, the plant of the John Inglis Company was better equipped than several of those plants mentioned and had produced more munitions than any of them?—A. Nothing to do with precision work on machine guns; moreover the plant was in bankruptcy and was not a going concern at the time of the negotiations for the order.

Q. Is it a bad thing to take a plant out of bankruptcy and to re-establish it as a going concern employing the very men in many instances who lost employment when the plant closed down?

Mr. BROWN: At the government's expense.

The WITNESS: The same number of men would be employed on this work in any other plant.

*By Mr. McGeer:*

Q. No, but do you not think it was a good thing to get the John Inglis Company plant back into operation?—A. I think that, as has been brought out on so many occasions, it would have been very much better to have dealt with a concern that was a going concern, well financed and ready to get into operation quickly.

Q. That is your judgment. Have you any experience in producing armaments in Canada or any other place?—A. No.

Q. Do you put your judgment up against the judgment of the British war office?—A. I have some experience in manufacturing operations.

Q. But the British war office decided that this plant, after a year's investigation, was a good place to set up the manufacture of Bren guns. Do you find fault with their judgment?

Mr. GREEN: And after a lot of pressure from the Canadian government.

Mr. McGEER: Do you not think you will get a good chance in the next election to do that?

Mr. GREEN: Why do you have to paint half a picture?

The WITNESS: I think that is an important question. It is an important question and one in which we are very definitely involved, and the answer is on page 44 of the Davis report:—

. . . it was a sustained endeavour to press the British authorities for a decision as to whether they would produce in Canada or not. That is the tenor of all the correspondence for nine or ten months in 1937—a sustained endeavour to obtain a decision from the war office as to whether or not they would place an order for Bren guns in the Dominion of Canada. That was carried on until November of 1937, I think.

There was no pressure from the war office or indication of action with Hahn, according to Mr. Justice Davis. The pressure was all the other way.

Q. Do you remember what I read to you as stated by Sir Thomas Inskip in July? I see your memory is not so good. This is a report on July 1, 1938, from Sir Thomas Inskip, the Minister for National Co-ordination:—

His Majesty's government in Canada, in common with His Majesty's governments in other dominions, have been kept informed in regard to the re-armament program of this country. The possibility of placing orders in Canada is under examination, and orders have been placed in certain places in which suitable terms, including times of delivery, can be arranged.

And Sir Thomas Inskip was one of the men who advised and recommended the Bren gun contract?

Hon. Mr. STEWART: What happened to him?

The WITNESS: That was all subsequent. For ten months, according to Mr. Justice Davis, the pressure was all from the Canadian end. After that, the British government, wanting to get action, fell in with their wishes.

*By Mr. McGeer:*

Q. I will leave that with you because when I come to deal with Colonel Drew I hope to be able to demonstrate that there was a good deal of pressure from the British war office as well.

I should like to draw your attention to this particular feature of your article. I want to bring you for a moment over to page 33, without going over the whole thing. You make a very violent exposure or very positive exposure, if I might use a more modified term, of the position that Plaxton and Company had with the stock and the financial activities of the company, do you not?—

A. Yes.

Q. For instance, it starts at page 32, in the middle of column 2, and goes over to pretty well the end of the article. You have published Mr. Hugh Plaxton's picture on the front page, giving him his political title of M.P. Then you quote from the contract. The only section you quote from the contract is section 15. You say:—

Section 15 of the contract reads as follows:—

"No member of the Senate or the House of Commons shall be admitted to any share or part of this contract—

[Horace T. Hunter.]



And then in black type:—

—or to any benefit to arise therefrom.” In view of this clear prohibition, the public has the right to know what the position of Mr. Hugh Plaxton, M.P., is in the suite of offices occupied by Plaxton and Company at 1207 Canada Permanent Building.

Then you state: “The Canada Law List for 1937 showed Mr. Hugh Plaxton as a partner in the firm of Plaxton and Company.” Obviously, the firm of Plaxton and Company were getting benefits that arose from this contract, were they not?—A. Yes.

Q. And you intended to convey to the public a suspicion that Hugh Plaxton was participating in those benefits, did you not?—A. We did not undertake to create any suspicion.

Some Hon. MEMBERS: Oh, oh.

The WITNESS: If there was any suspicion due to the facts, the facts are responsible, not us.

*By Mr. McGeer:*

Q. If you knew as a matter of positive fact that Hugh Plaxton was not a member of the firm of Plaxton and Company, would you ever have written the words that I have quoted to you?—A. We do not state he is a member of the firm of Plaxton & Company.

Q. No, no; but you certainly state that you suspected it.—A. We state he had offices in the same building.

Q. Yes.

Mr. DUPUIS: Why?

The WITNESS: He was a partner—he was a brother of the men who were disclosed by us for the first time as being partners in this enterprise.

*By Mr. McGeer:*

Q. There is nothing wrong with that, is there?—A. We would have expected a member of parliament to have made some disclosure on the floor of the house as to his connection. When he did not do that, surely we were entitled to ask the question as to what his connection was.

Q. Do you say that Plaxton had never disclosed that he was not a member of that firm?—A. He did not disclose, as far as I know, in the house his connection with this contract. It came out in the evidence.

Mr. DUPUIS: Did he ask him before the article?

*By Mr. McGeer:*

Q. If you knew or had the means of knowing that he was not a member of the firm of Plaxton & Company, would you have stated so to the public?—A. We had no objection to doing that whatever; certainly.

Q. You did not know that he was not a member of that firm when you wrote this article, did you? That was not learned by you until the inquiry took place, was it?—A. I will give you any information I can to the very best of my ability.

Q. Yes?—A. But I do not pretend to have the minute knowledge of this article in detail that the editors or Col. Drew would have.

Q. No.—A. I am very glad to give you any information I can.

Q. I say if you had known that he was not a member of the firm of Plaxton and Company, you would have published it, would you not, in fairness to Plaxton?—A. Certainly; there would have been no objection to publishing it.

Q. No; and as a fair publisher, not desirous of putting a Canadian member of parliament unduly under suspicion, you would have published such an important fact as that, would you not?—A. If we had published in this article everything that you might indicate would be a matter of fairness to all con-

cerned, it would have been ten times as long as the present article. You have got to have a limit; you have got to have some limitation to your material.

Mr. MacNEIL: It would be a serial story.

*By Mr. McGeer:*

Q. I agree with that, and I see your difficulty there, Mr. Hunter. But would it have been difficult, where you say "In view of this clear prohibition the public has a right to know what the position of Mr. Hugh Plaxton, M.P., is in the suite of offices occupied by Plaxton and Company at 1207 Canada Permanent Building, Toronto," to have said,—for instance, "Mr. Hugh Plaxton retired from the firm of Plaxton and Company two years ago." Would that have taken up much time and effort? If you had known that fact, would you not have put it in?—A. I did not—

An Hon. MEMBER: Yes or no.

Mr. MacNEIL: Let the witness answer the question.

Mr. McGEER: He is doing very well.

Mr. DOUGLAS: He does not need any prompting from the back benches.

The WITNESS: I would merely emphasize here again that we had no desire to be unfair to any man concerned; and for that reason we checked very closely any statement we made about each person.

*By Mr. McGeer:*

Q. Yes. But what I want to know is if, in the check that you made, you found out that Plaxton was not a member—that is, Mr. Hugh Plaxton, M.P., whose picture you have on the front page, about whom you asked this question at the end of your article: "What is the position of Mr. Hugh Plaxton, M.P.,—this is at page 34—in the office of Plaxton and Company and what has it been at all times since Plaxton and Company began acting for the armament company which now has the contractor?"—A. You see, as I intimated, I am desirous of giving you any information I can; but I cannot give in detail every statement. I find here now on page 33, we did state, "The Canadian Law List for 1938 does not include his name as a member of the firm but gives his name separately." Surely that was an effort to do just what you suggest.

Continuing with what you have just read we find:

Q. "His office, however, is still at 1207 Canada Permanent Building" and "The Canadian Law List for 1937 showed Mr. Hugh Plaxton as a partner in the firm of Plaxton and Company." You see, what you are now stating is this: We used the Law List to indicate that he was not in the firm in 1938. Therefore, we used the Law List to show that he was in the firm in 1937. You cannot have it both coming and going.—A. But we did exactly what you suggested.

Q. No, you did not.—A. We state here that his name was not in the Canadian Law List in 1938.

Q. But the Plaxton Company had been dealing with the armament company in 1936 and in 1937; they got the contract on negotiations which started in 1936 and were practically completed in 1937; and the distribution of the stock of the company was made in 1936 or 1937. So that you tell me now you used the Law List of 1938 to indicate that he was not in the firm. Is that right?—A. That is in the article.

Q. That is in the article. It was used for that purpose, you have told me. You said that was an indication that you were telling the public that he was not in the firm?—A. It is an indication of the desire to be fair to him.

Q. That indicates that. And the other list you checked was the *Canadian Law List* of 1937, which showed him in the firm; is that right? You know the *Canadian Law List* is not an official document. It is simply a publication by somebody like yourself. It has not any authority from anybody. They do not delete names that should be deleted and they do not make an accurate presenta-

[Horace T. Hunter.]

tion of the facts about the law firms of Canada. You know that, do you not, as a publisher?—A. I will take your statement as a lawyer.

Q. Well, I mean that is true. I am not saying anything that any lawyer does not know, and I should think that every publisher knows it as well. You do know that, do you not?—A. The author could give much more definite information than I could on that.

Q. You remember the evidence that was given in that regard? Mr. Hugh Plaxton, being examined by Mr. Ralston, as page 3156, states as follows:—

The WITNESS: As I recall it, the first firm that I joined as a partner was Plaxton, Sifton and Company, on January 1, 1930.

*By Mr. Ralston:*

Q. And were you a member of the firm of Plaxton and Company in 1935?—A. Yes.

Q. Who were the members of that firm?—A. Mr. Gordon Plaxton, K.C.

Q. Your brother.—A. James O. Plaxton, Herbert A. W. Plaxton and myself.

Q. You were all brothers?—A. Yes.

Q. And you have been a member of that firm about how long?—A. Five years.

Q. What happened with regard to your relationship with that firm in 1935?

Q. Has that arrangement continued or has that arrangement been changed?—A. No, at the end of 1936 I protested about paying this rent because certain work had been introduced by me to the office and in respect of which I was not receiving any agency fee and which I had directed to the firm because of the fact that I was spending anywhere from five to six months almost continuously in Ottawa, and particularly there were matters relating to litigation of one kind or another, automobile accidents and so forth, and as of that date, as I recall it, I suggested that I should be allowed to continue to keep the office on the basis that any litigation of that character which, as I have explained, due to my absence from Toronto for a continuous period while the courts were in session be accepted in lieu of rent, and that arrangement was satisfactory to the members of the firm. That is the basis which has continued from that time up to date. I may say, however, while it may be irrelevant, yet to give you the true background, that on several occasions I have been urged to take up offices in other quarters having regard to the number of unemployed in my riding who make it their business to attend there from day to day.

Q. When was that arrangement made? I want to be sure that I understand it correctly. Was that arrangement made in 1936?—A. In 1936.

Q. Whereby you ceased to pay any rent?—A. Any specific rent.

Q. Any specific rent. What was the consideration for that?—

A. The business which I had either left with the firm when I resigned as a partner or in respect to business which during the year 1936 and up to the present time has come into the firm and which I have been unable to handle.

Then he deals with the question of his retirement from the firm in 1936 as follows:—

A. On March 10, 1936, as is indicated by a copy of a letter from Plaxton and Company addressed to the King's Printer, which purports to enclose notice of dissolution of partnership for filing in the Ontario



*Gazette*. I tender herewith Ontario *Gazette*, the March issue, which on page 372 is found a true copy of the formal dissolution of partnership.

That exhibit 335 reads as follows:—

To Plaxton & Company, Barristers & Solicitors, and to G. Gordon Plaxton, K.C., J. O. Plaxton and H. A. W. Plaxton.

I, Hugh J. Plaxton, hereby notify you of my retirement from the firm of Plaxton & Company to take effect as and from the 12th day of October, 1935.

In giving this notice, it is understood and agreed that the provisions of Articles and Partnership constituting the firm of Plaxton & Company shall govern all questions as to my rights and/or liabilities in the partnership property assets and profits.

Dated at Toronto this 12th day of October, A.D., 1935.

(Sgd) HUGH J. PLAXTON.

The undersigned, namely G. Gordon Plaxton, J. O. Plaxton, and H. A. W. Plaxton, the continuing partners hereby accept the foregoing notice of the intention of Hugh J. Plaxton to retire from the firm of Messrs. Plaxton & Company, successors to Plaxton, Sifton & Company, and which firm was established by Articles of Partnership bearing date the.....day of.....1934, such resignation to take effect as and from the 12th day of October, 1935, on the terms that the provisions of the said Articles of Partnership shall apply to and govern all questions as to the rights and/or liabilities of the said Hugh J. Plaxton in the Partnership property assets and profits.

Dated at Toronto, this 15th day of October, 1935.

It is signed by the three remaining partners, G. Gordon Plaxton, J. O. Plaxton and H. A. W. Plaxton. Here is the publication in the Ontario *Gazette*, dated Toronto, Saturday, March 14, 1936:—

NOTICE IS HEREBY GIVEN that the partnership lately subsisting between us, the undersigned Gordon G. Plaxton, King's Counsel, James O. Plaxton Herbert A. W. Plaxton, and Hugh J. Plaxton, carrying on business as Barristers and Solicitors under the firm name of PLAXTON & COMPANY, in the city of Toronto, in the County of York, has been dissolved as and from the 12th day of October, A.D. 1935, by mutual consent so far as regards the said Hugh J. Plaxton, who retires from the firm. The business in future will be carried on by the said Gordon G. Plaxton, James O. Plaxton and Herbert A. W. Plaxton, who will pay and discharge all debts and liabilities owing by the partnership, and receive all moneys payable to the said firm.

Dated at Toronto, this 15th day of October, A.D. 1935.

That is signed by all the brothers. That dissolution of partnership, answering the position of Hugh Plaxton in the firm of Plaxton & Company, was on file in departmental records of the government of Ontario.

Mr. BROOKS: What was the date of that publication?

Mr. BERCOVITCH: October.

Hon. Mr. STEWART: The *Gazette*?

Mr. McGEER: The date of the *Gazette* is March, 1936.

Hon. Mr. STEWART: Exactly.

Mr. BROOKS: From October to March.

Mr. McGEER: March, 1936. The article was published on the 1st of September, 1938. This dissolution of partnership had been on file for almost two years.

[Horace T. Hunter.]

*By Mr. McGeer:*

Q. When you state your statements are based on departmental records as at August 5, 1938, or up to August 5, 1938, tell me, if you wanted to be fair, why did you not tell the world that Plaxton, the M.P., whose picture you put on the front page of this article, had retired from the firm of Plaxton & Company that were handling the armament company's affairs? Why did you not do that?—A. That is a question that the author could answer much better than I could.

Q. All right.—A. I can say this, however, that three months after the contract was signed, we gave for the first time the men that were associated with Major Hahn in this contract. The Plaxtons were partners in that project.

Q. What is that again?—A. We gave for the first time the names of the associates of Major Hahn. Hugh Plaxton was a brother of those associates. He had an influence with the same people. Surely that question as to disclosure of any connection he might have had—he did introduce Hahn to the minister; he took a trip with him to England and his expenses were paid—surely we were entitled to ask in an article “Are there any other disclosures that should be made”? I think that would be common newspaper practice and one that the people of Canada would not want to see suppressed in any way.

Q. Just following that statement, will you bear with me while I read this portion of the article again?

The heading is—a column—wide, black type heading is: “Position of Member of Parliament.” The member of parliament's picture is on the front page of the article. Under that heading we read:—

Section 15 of the contract reads as follows:—

No member of the Senate or of the House of Commons of Canada, or of the parliament of the United Kingdom, shall be admitted to any share or part of this contract.

And then in black type:

or to any benefit to arise therefrom.

Then follows immediately:—

In view of this clear prohibition the public has the right to know what the position of Mr. Hugh Plaxton, M.P., is in the suite of offices occupied by Plaxton and Company at 1207 Canada Permanent Building, Toronto.

Will you sit there and tell this committee that that was not intended to place Hugh Plaxton, M.P., under suspicion for having benefited under that contract?—A. It was intended purely to place him in a position requiring an explanation, and when the explanation came there was the admission that expenses had been paid for a trip to England. I think the public still want to know whether that is proper or not.

Q. Now, I want to draw your attention to another letter, Exhibit 336, which is dated August 24th:—

My dear Mr. PRIME MINISTER,—A group of friends of mine in Toronto are equipped fully to manufacture munitions. Their plant is located in my constituency. They have asked me to ascertain whether or not the government's policy permits of the obtaining of orders from the British government. I shall appreciate greatly receiving your advice in this regard.

I am returning home Wednesday of this week and my Toronto address is 320 Bay street.

With kindest personal regards,

Yours very truly,

Does that arouse your suspicions at all?—A. It would certainly arouse my interest to know who those associates were?

Q. And to that extent arouse your suspicions; now, let me put this to you—  
—A. There is a difference between interest and suspicion.

Q. Well, this date of August 24th, 1936, is the first intimation of Plaxton coming into this; that is, Hugh Plaxton, M.P., coming into this picture at all, five months after the dissolution of the partnership was filed—I am not interested in the fact that this partnership was dissolved a year before that.—

A. That is the time when he appeared in the negotiations.

Q. There is nothing wrong with a member for a constituency trying to get a closed down industry in the district reestablished as a going concern?—  
A. Nothing wrong with that.

Q. And, personally, Mr. Hunter, I am sorry that I haven't got several plants to re-establish in that way in my own constituency?—A. There are a great many people who might question, however, the advisability of \$1,200 of an expense account for a trip to England.

Q. Quite true, and you question that, and you presented all these facts to the Hon. Mr. Justice Davis.—A. And Mr. Justice Davis asked specifically, the Plaxtons, if they did not think they should have disclosed to the minister and the deputy minister the fact of their relationship in this matter.

Q. And they said they did not, and they did not think it was advisable, and they gave the reasons, didn't they?—A. I don't—

Q. The reason was they said if we disclosed we had an interest in it we would be accused of seeking political patronage. We never disclosed it and we never asked the government for anything because we were in it; wasn't that clear?—A. It does not seem to me to be businesslike.

Q. It does not seem to you to be businesslike?—A. The minister and the deputy minister according to the evidence on the cross-examination—page 28 of the report—stated that they did not know, they did not know the associates right up to the time the *Maclean* magazine article appeared.

Q. Just as I am telling you, Plaxton if he had wanted to could have gone down to Ottawa and said to the minister who was holding office in the government that Plaxton's party was supporting, and said my brothers are in this thing and I want you to do something for my brothers because I am interested in helping them; that would have been obviously wrong, wouldn't it?—A. We consider our part as publishers, and we consider it our duty to give the public information as to who the principals were in a \$8,000,000 contract for war munitions.

Q. Why didn't you give them the information about the dissolution of the Plaxton firm, about the retirement of Mr. Hugh Plaxton, which was published in the departmental records that you said your published statement was based on?—A. I cannot answer—give you any information on that. The author of the article may be able to do so.

Q. Did you call Hugh Plaxton up?—A. I did not write the article. I cannot give you the information on details.

Q. You told us you checked it up?—A. We checked the facts that we ran.

Q. I come now to another matter. I say to you that you wrote that article, or that you published that article with the deliberate intention of exposing fraud and corruption in connection with the Bren gun contract; will you deny it?—  
A. You are entitled to make use of that phrase. We stand by the article.

Q. Do you deny?—A. We stand by the article and the statements we made in it. We did not use the words fraud and corruption.

Q. But that was the whole intention of the article, to convince the public that there had been maladministration, mis-use of public funds, and fraud and corruption?—A. That is entirely incorrect.

[Horace T. Hunter.]



Q. Entirely incorrect?—A. Where is there any evidence to show that?

Q. All right. Now I want to go to another thing. If you did not have that intention when the article was published when did you develop that intention?—A. I do not know of any development of that kind.

Q. All right. You engaged Mr. Hellmuth as counsel?—A. Yes.

Q. And Mr. Hellmuth left for the Privy Council and Colonel Drew acted for the *Maclean* Publishing Company before the Davis commission, did he not?—A. Yes.

Q. And as counsel for himself and the *Maclean* Publishing Company he argued your case before the Davis commission, didn't he?—A. He argued the case for himself, and we were interested, the interests were interlocking with our publication. He is quite responsible for his own matter and will be able to explain it.

Q. Well, he did argue for a finding of fraud? He did, didn't he, to your knowledge; you were there?—A. There is a distinct difference in what counsel would argue after all the evidence was in and what we published, and we are responsible for only the article published in August. He might have argued for something there due to the evidence that had been brought out in the course of the investigation.

Q. Well, we will deal with what he argued right now. There is no dispute about that. He stated himself at page 4301 of the evidence in which he argued:—

The article was published and the *Maclean* Publishing Company willingly assumed the heavy responsibility which that involved because of their conviction that the contract in question, and all the circumstances surrounding it, are contrary to the public interest. I submit, and I firmly believe, that the evidence has more than justified that conviction, and I ask you to so find.

A. Yes.

Mr. DOUGLAS: Would it not be wise to give the witness sufficient time so that he may have a copy of the evidence in front of him?

Mr. McGEER: I will not misquote it.

Mr. DOUGLAS: Sometimes you stop at the commas.

Mr. McGEER: Not in a matter as important as this.

Mr. McGEER: Now, Mr. Hunter, Mr. Drew said to the commissioner at page 4300:—

Now, Mr. Commissioner, in closing may I say this, that, speaking for myself on behalf of the *Maclean* Publishing Company, for whom, since Mr. Hellmuth's unavoidable withdrawal I have appeared, I wish to make it perfectly clear that it is our earnest desire that such weapons as are necessary for the defence forces of Canada shall be produced as quickly and as efficiently as possible.

And on page 4294 he comes to the first definite charge,

I submit that from the beginning to the end LaFlèche's evidence is not to be believed. The evidence he gave is in direct conflict with what has been shown by the record and by the evidence of other witnesses. LaFlèche had some reason for the course which he followed in these negotiations. That reason has not yet been explained.

Now, when you ask a Judge of a Supreme Court of Canada to find that the evidence of a witness holding the position of Deputy Minister of National Defence in a matter of public interest such as the Bren gun contract, is not to be believed from the beginning to the end, you ask for a finding of perjury, don't you?

Some Hon. MEMBERS: Hear, hear.

*By Mr. McGeer:*

Q. You know enough about law to know that, don't you?—A. I would not attempt to give an opinion on a summing up. That is a matter that deals with the evidence, and counsel will be able to speak for himself in that regard.

Q. But he was speaking for you? Have you ever withdrawn that charge made on your behalf against Major General L. R. LaFlèche, M.C., distinguished veteran and Deputy Minister of the Department of National Defence for the Dominion of Canada?—A. Any opinion on that would require a study of the whole of the evidence.

Q. All right, let me go a little bit further, because you don't stay with your accusations there; you are complaining because LaFlèche has said that they were liars who started this inquiry, and you sit there telling me—

Mr. MACNEIL: Don't shiver, Mr. Hunter.

*By Mr. McGeer:*

Q. Might I put up this accusation of perjury made by your counsel against General LaFlèche—you have done nothing to remedy that type of attack upon a public servant who has been through an investigation and trial and found not guilty of perjury, charged by you?—A. We will answer for anything we have published in our publications.

Mr. McGEER: This is the place to answer as to your motives.

Mr. BROWN: In his summing up on argument counsel did not contend that he was guilty of perjury.

Mr. McGEER: Then at page 4299 he says:—

I submit that every step which LaFlèche has taken in the negotiations leading up to the Bren gun contract is, on the evidence, open to very grave suspicion, and I ask you to so find.

And then a little further down, I submit that for the part he played Mr. Mackenzie is open to even more severe condemnation.

And then he goes on to say:—

I submit that there can be no justification of any kind for Mackenzie misleading the Prime Minister of this country, misleading the cabinet, and his conduct in his negotiations with the war office of Great Britain. Whether it be from the point of view of business interests, industrial efficiency, or national security, nothing can be said, I submit, to justify this contract in any way. It was conceived in sin, born in iniquity and cloaked in fraud.

Then at page 4284,

The Prime Minister has stated in the covering statement in connection with this order-in-council that there must be no suspicion of wrongdoing. There is a great deal more than suspicion of wrongdoing in this case.

*By Mr. McGeer:*

Q. Now, I put it to you, Mr. Hunter, as a man who sat in on the conference that started this article, if the article was not written and presented to the public designedly to create suspicion that the Bren gun contract was born in sin, conceived in iniquity and cloaked in fraud; was not that your intention right from the very start?—A. No, it is a remarkable fact that in over a billion words of comment, and after thousands of pages of evidence, that not one statement in the article has been shown to be false or untrue; and I quote Mr. Justice Davis as the authority for that statement.

[Horace T. Hunter.]

Q. You see, Mr. Hunter, you are appearing, the first time the article has ever come under review is now. Because motives have never been in question it did not mean that Mr. Justice Davis was concerned with motives, what he was interested in was the production of the contract. We as a parliamentary committee were not interested in your principles or Colonel Drew's motives until you asked to appear here to justify your motives.—A. To justify the truth of the article.

Q. I am making the statement, and I am going to show you before you leave this room that this article is based on a tissue of lies.—A. Then you will do more than Mr. Justice Davis was able to do.

Mr. McGEER: If I had been before Mr. Justice Davis I would have got a finding of fact on that.

Mr. DOUGLAS: The government made an awful mistake.

The WITNESS: The minister was also handed a copy of the report—

Mr. McGEER: If I had had to try a decision of the issue, this issue was not tried before Mr. Justice Davis at all. We are now dealing with the motives of the writer of the magazine article, or of the publisher of the magazine article, and we are going to deal with the facts.

*By Mr. Green:*

Q. What are you saying, Mr. Hunter?—A. I said, the minister was also shown a copy of the article and asked to cite one inaccuracy in the article. He was not able to substantiate one point.

Mr. McGEER: Now I just want to draw your attention to the findings of the commissioner. You see, the commissioner was rather concerned about the situation that developed from Colonel Drew's article, or Colonel Drew's argument, and the evidence that had been adduced casting reflections on Mr. Hugh Plaxton, and on page 50 he says:—

Mr. Hugh Plaxton retired from the law firm of Plaxton and Company on the 12th day of October, 1935 (Exhibit 335) but continued to occupy a separate room in the firm's suite of offices under an arrangement with the continuing partners regarding office space and clerical staff. He testified that since his retirement he had derived no financial benefit from the said law firm and that he had no interest, direct or indirect, in the accounts of Plaxton and Company (Exhibit 334) with either the group or the John Inglis Company. He testified further that he had no agreement, verbal or otherwise, with any one directly or indirectly with the John Inglis Company or the contract; that he had no claim against the John Inglis company at the time the contract was signed and no claim in the meantime against any of the gentlemen associated with the John Inglis company; and had no interest, direct or indirect, present or prospective, in the contract or in the shares or property of the John Inglis company or in the shares which his brothers, Gordon and Herbert Plaxton, own or may be entitled to in the John Inglis company.

Now, that is a full review. He then says:—

There is no evidence that any member of the Senate or of the House of Commons of Canada was admitted to any share or any part of the contract, or to any benefits to arise therefrom, or had been promised or given any suggestion that he was to have any share or part of the contract or was to be admitted to any share or part of the contract, or to any benefit to arise from the contract.

That certainly was a complete exoneration of all the members of the House of Commons and the Senate which included the Minister of National Defence and



Mr. Hugh Plaxton, M.P., was it not?—A. We printed the findings in an issue of *Maclean's Magazine*.

Mr. DUPUIS: Why don't you answer "Yes" or "No," please?

*By Mr. McGeer:*

Q. You knew that Mr. Justice Davis accepted the whole tenor of the inquiry as a charge against the members of the House of Commons and went out of his way to prove that your suspicions and charges in your article were groundless; is that not true?—A. Not true at all.

Q. The evidence relating to the activities of Mr. Hugh Plaxton prior to the making of the contract has already been set out or referred to in this report and with that exception (excepting of course the minister presiding over the Department of National Defence) there is no evidence that any member of the Senate or of the House of Commons of Canada had any connection with or took any part in the discussions or negotiations leading up to the contract.

When he says that they are the only two who were associated with it and says there is no evidence that any member of the Senate or of the House of Commons had any interest or benefit in the contract at all he gives to Mr. Mackenzie and Mr. Plaxton a clean bill of health, does he not?—A. We made no charge against Plaxton; we merely stated his connections and asked for information which was brought out at the investigation.

Q. If you made no charge, why did a distinguished jurist of the Canadian Supreme Court bench make a finding of "Not guilty."—A. You will have to ask him that question.

Q. Did you make any charges through your counsel against LaFleche?—A. We did not make any charges.

Q. Did you believe, as the president of the Maclean Publishing Company Limited which published this scurrilous article against LaFleche, that his evidence from beginning to end through that whole eight weeks' inquiry was not to be believed?—A. What article are you referring to as a scurrilous article?

Q. The one with the green headlines; the one that you know so well and that you are going to know better before you are through with it.

Mr. DOUGLAS: Is that a threat, Mr. Chairman?

The CHAIRMAN: You will have to ask Mr. McGeer.

Mr. DOUGLAS: You are not in Vancouver, you know.

Mr. McGEER: Oh, yes, I am; I am always there.

*By Mr. McGeer:*

Q. Now I come to the LaFleche finding of "not guilty."

There is no evidence that any senator or member had any connection with or took any part in the affairs of the company or in the sale of shares or securities of the company.

I think it right to say that there is no evidence (nor is there in the evidence any ground for suspicion) that the minister or the deputy minister or any officer or official of the Department of National Defence was guilty of any act of corruption or anything in the nature of corruption.

You remember that finding?—A. Yes.

Q. That is a direct finding to the Drew charge, is it not?—A. We never made any such charge.

Q. You, through your counsel, made charges; Drew was acting for you as counsel, was he not?—A. You are getting into a legal field where that is a question for the counsel to answer.

Mr. DUPUIS: That is a question of fact.

[Horace T. Hunter.]

*By Mr. McGeer:*

Q. I submit this is the charge that was made after eight weeks of evidence—this was the charge made by Colonel Drew acting as counsel for *Maclean's Magazine* with *Maclean's Magazine* present and concurring? Will you deny that?—A. We had no part in the statements. That is a matter for counsel.

Q. You had faith in your counsel?—A. We had faith that he can make the proper explanation.

Q. Have you ever taken steps to repudiate these terrible charges by Drew against the Deputy Minister of National Defence? You were paying his expenses that day?—A. We were paying his expenses for the work that he had done in the whole investigation.

Q. And that was one of the days he was working on the investigation and working for you? You were getting it rather cheaply, but you were getting it nevertheless.—A. Well, I submit that it is a legal matter and not for me but for counsel to answer.

Q. All right. Having known that this charge was made did you ever do anything about it?—A. We printed the news of the findings.

Q. "I submit that from the beginning to the end LaFlèche's evidence is not to be believed. The evidence he gave is in direct conflict with what has been shown by the record and the evidence of other witnesses. LaFlèche had some reason for the course which he followed in these negotiations."

Now, would you say that a man, during an inquiry occupying over eight weeks, holding the position of Deputy Minister of National Defence, giving evidence on a contract involving the development of arms for the defence of the nation but which could not be believed, should be continued in that responsible post?—A. Our criticism of the deputy minister has been on matters of administration.

Q. Your counsel declared and asked Commissioner Davis to find that he was a perjurer and had been throughout the whole of the evidence given before the Davis inquiry; not a liar but a perjurer, because here where he could not be believed he was under oath and in duty bound to tell the truth as part of his public responsibility. Have you ever taken any step to withdraw that charge or the insinuations that were made in the article you published which are open, I submit, to the same interpretation? If not, why not?—A. I do not admit that the article was open to that interpretation at all.

Q. You have taken no step.—A. We published the findings.

Q. You, through the Financial Post, have continued to hound the department in the same vein as the article of September 1, 1938, have you not?—A. We have made criticism of matters of fact.

Q. And you still persist in the belief that LaFlèche is unworthy of public confidence?—A. We claim he has been incompetent.

Q. And you have attacked Major General LaFlèche, M.C., on the ground of incompetence after you failed on your charge of fraud?—A. We did not publish any charge of fraud.

Mr. DUPUIS: You are responsible for your counsel.

*By Mr. McGeer:*

Q. Let me draw this to your attention: "Again I submit that every step LaFlèche has taken in the negotiations leading up to the Bren gun contract is on the evidence open to very grave suspicion, and I ask you to so find. I submit for the part he played in it Mr. Mackenzie is open to even more condemnation." Notwithstanding the Davis findings which I have read to you, your publication, the Financial Post, still demands the resignation of the minister?—A. It has, and we have given the reasons for it.

Q. Do you still believe that that contract was conceived in sin, born in iniquity and cloaked in fraud?—A. That is not my statement.

Q. Do you or do you not believe it now?—A. I give no opinion on it whatever because I would have to examine all the evidence. I would have to be in a position to do that. It is an unfair question you asked.

Q. Have you ever thought of extending a word of apology to LaFlèche?—A. We were interested in this matter from what we have published. Our counsel will answer for the other matter.

Q. You know Major General LaFlèche is a distinguished war veteran, do you not?—A. I am not in a position to speak of his record at all.

Q. You know that he is not a partisan appointee of the present Liberal government?—A. I am not in a position to speak.

Q. You know that he was appointed by the Conservative administration under the premiership of the Right Honourable Mr. R. B. Bennett, do you not?—A. I do not know.

Q. Do you know that he was badly wounded on more than one occasion in the great war?—A. Yes.

Q. You know that he is a distinguished and outstanding member of the French-Canadian race of Canada?—A. Yes.

Q. And yet you have made these charges through your counsel against him and you say that you think it is sufficient to do nothing but print the findings of "Not guilty"? You think that is sufficient for you to undo the wrong that you have done?—A. I think it is sufficient for us as a publisher.

*By Mr. MacNeil:*

Q. You do not admit any wrong?

Mr. McGEER: Oh, what great assistance you are. Supposing he would say "Yes," how far would that get you?

Mr. MACNEIL: I want his answer complete.

Mr. McGEER: That would not help him, Mr. MacNeil; you ought to know better than that.

Mr. MACNEIL: This is a great show.

Mr. McGEER: Well, I think that when men like Major Hahn and General LaFlèche are charged the way they have been charged, they have the right to some word of real defence on their part.

Mr. MACNEIL: I am not interested in your statements, I am interested in the witness' answer.

Mr. McGEER: I am interested in your statement that what I am doing here was a great show. My understanding of it is that it is a proper performance of a public duty.

Some Hon. MEMBERS: Hear, hear.

Mr. MACNEIL: Most melodramatic, we must admit.

*By Mr. McGeer:*

Q. It may be melodramatic. Now, Mr. Hunter, I just want to put one thing to you. If it turns out that this article which you published under the caption of "The following article went to press on August 9, but these statements are based on departmental records of August 5." If it should turn out that the statements in this article are not based on public records as at August 5, or any other date, that they are contrary to public records and that information in the public records important to the proper presentation of the truth of the facts has been either ignored or suppressed, would you have published the article?—A. We would not have suppressed any important information.

Q. I did not ask you that question, I am sorry. If you had known that statements in this article were not based on departmental records of August 5, 1938, that is up to that date, that they were in effect contrary to departmental records and that important facts on record in the departments were not pub-

[Horace T. Hunter.]



lished that were necessary to the truth of the statements made in this article, would you have published the article?—A. We would not have published it in that form.

Q. In what form would you have published it?—A. We would have published any information that came to light that was of importance. We did not suppress any information whatever.

Mr. McGEER: Thank you very much.

*By Mr. Green:*

Q. Mr. Hunter, Mr. McGeer read an article to you from the *Montreal Gazette*. I should like to hear what you have to say about this article from the *Vancouver Daily Province* printed on Friday, May 26, 1939, entitled, "Creating a diversion." It is also an editorial:—

There is an old military maxim which says the best defence is to attack. Major-General LaFlèche, Deputy Minister of Defence seems to have thought of this when he was before the public accounts committee of the Commons, this week. The committee is still engaged in the seemingly hopeless task of trying to unravel the Bren gun tangle, and General LaFlèche sought to divert its attention by a violent attack on the critics of the contract.

They were dastardly, said the deputy minister of these critics. They were traitorous. They had sold out Canada's defence and the defence of the Empire. They had denied Canadian workmen employment to the extent of millions of dollars. They had betrayed Canada. They had insulted and humiliated officials of the war office.

It is hardly likely the committee will be impressed by an outburst such as this. The war office is not in need of any defence from General LaFlèche. Nor are the Canadian people. But the federal government and the Department of National Defence are very much in need of defence.

It was not the critics of the Bren gun contract who insulted or humiliated the war office officials, but the department of defence which tricked these officials into giving a contract for guns to a friend of a supporter of the Liberal administration. And it was not the critics who sold out Canada's defence and the defence of the Empire, but again the department of defence, which seemed more interested in helping the administration's friends make a killing than in providing either guns for Canadian soldiers or employment for Canadian workmen.

If the Bren gun contract is capable of defence, General LaFlèche might defend it instead of hiding behind either the war office or the Canadian people or the Canadian unemployed.

Mr. BERCOVITCH: Is that a Maclean publication?

Mr. GREEN: It is the *Vancouver Daily Province*.

Mr. SLAGHT: Let us get an answer. What is the answer?

Mr. HOMUTH: Mr. Chairman, I rise to a point of order.

Mr. McPHEE: What is the answer to the question?

Mr. HOMUTH: A short while ago I wanted to ask the witness a question and you called me to order, Mr. Chairman, and told me to leave it entirely to Mr. McGeer,—to let him carry on until he was through. Mr. McGeer is now through with his questioning and I rise to a point of order that the counsel for the government ought to allow Mr. Green to carry on without any interruptions.

Mr. GOLDING: You are doing the interrupting.

Mr. McGEER: I should like to keep the record clear. Mr. Green read this article after asking the witness what he thought of it.

Mr. HOMUTH: Give him a chance to answer.

Mr. McGEER: The only interruption was that of Mr. Berecovitch and Mr. Slaght, not myself, asking that the answer be given.

Mr. SLAGHT: Certainly; that the witness be accorded the right to answer.

Mr. HOMUTH: All right.

Mr. SLAGHT: Listen and you will hear what is going on.

The CHAIRMAN: Order, gentlemen. There is a question before the committee.

Mr. FACTOR: Let us have the answer.

The CHAIRMAN: The hon. member for Vancouver South has asked the witness a question.

Mr. McPHEE: What is the answer.

The WITNESS: I think the only comment I would make is that it is part of the newspaper comment and asks questions there that many people will ask throughout Canada.

*By Mr. Slaght:*

Q. Do you assert now, in accord with your counsel's assertion, that General LaFleche was a perjurer from beginning to end?—A. I would like to take this opportunity of stating very definitely that we have kept personalities out of this question just as far as possible in our publication.

Some Hon. MEMBERS: Oh, oh.

*By Mr. Slaght:*

Q. But you have come here to vindicate your counsel's or your position on that?—A. Our position is absolutely that as far as personalities are concerned, they are secondary to the point that we must have the business administration of the Department of National Defence carried on in an efficient manner.

Q. Would you care to answer my question? I will repeat it, if you wish?—A. If you would.

Q. Having heard what your counsel asserted, that the evidence of General LaFleche was perjury from beginning to end, and you coming to vindicate your stand and your lack of evil motives, what do you say now as to that assertion?—A. I say that that is a legal matter and one that should be answered by counsel.

Mr. DUPUIS: Did you repudiate your counsel?

Hon. Mr. STEWART: Why should he?

The WITNESS: I should like to state that the effort that has been made to indicate that we have any antipathy to the French Canadian people is absolutely wrong, and that our course of action over a great period of years has been one of very friendly co-operation.

Mr. McPHEE: Who said anything about that?

Mr. BROWN: Mr. McGeer did.

Mr. McGEER: With regard to that, I think I will have to leave it to the French Canadians as to how friendly you are with them, when your associate charged one of their most distinguished members with perjury and fraud.

The CHAIRMAN: Do any other hon. members wish to question this witness?

*By Mr. MacNeil:*

Q. Mr. Hunter, I am interested in the conversation that took place between yourself and Major Hahn on August 12, 1938. What was the substance of that conversation, may I ask?—A. On August 12, 1938, some two weeks before the appearance of the article, Major Hahn called me on the telephone. He stated that he had heard we intended to publish an article by Col. Drew bearing on the activities of his company. I replied that we were planning to publish such an article. He then stated, and stated very emphatically, that if we

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published this article and he found that it contained any grounds for legal action against us he would at once institute proceedings. I replied that we had checked minutely all statements made in the article and were prepared to accept full responsibility for their publication. I stated further that we were convinced publication of the information contained in the article was in the public interest; and that the public interest was of much greater importance than the immediate private interest of either his company or our own.

Q. Did he disclose his source of information as to the article?—A. He did not disclose his source of information. The article had not appeared and I do not know where he saw the advance copy.

Q. Was his attitude threatening to you?—A. It was threatening to the extent that I have mentioned here.

Q. Did he make any proposition to you with regard to suppression of the article?—A. No. He made no such proposition. He discussed it at length.

*By Mr. Slaght:*

Q. He said, "If you libel me, I will sue you." And he has sued you, has he not?—A. Yes; he has instituted proceedings.

*By Mr. MacNeil:*

Q. What did you mean when you referred to unbusiness-like methods of negotiating the contract in your statement?—A. I should like to give not my opinion on that but one or two statements from the Davis report.

Mr. McGEER: I do not want to object, Mr. Chairman, but as a matter of fact we have the Davis commission report before us, with all the evidence; and certainly a committee of parliamentarians does not need the assistance of a publisher to read a report of a commission to them. I think if he has any evidence to give, it is all right. But surely we do not want this witness to read this report to us.

Mr. GREEN: I should like to speak to that point, Mr. Chairman. Mr. McGeer has gone very far afield to-day, and has been allowed to do so without very much interruption. I suggest that this is a very bad time to start putting on the lid. I think the witness should be allowed to answer the questions that are put to him.

*By Mr. MacNeil:*

Q. I understood, Mr. Hunter, that before this article was written you had several conferences with your associates and you satisfied yourself as to various matters?—A. Yes.

Q. Referred to in the article?—A. Yes.

Q. You satisfied yourself on some evidence that unbusiness-like methods had been followed?—A. Yes.

Q. Will you explain what you had in mind with regard to unbusiness-like practices and what evidence you had with regard to unbusiness-like practices?—A. Followed the investigations.

Mr. McGEER: Mr. Chairman—

Mr. MACNEIL: Now, now. We offered you very little interruption.

Mr. McGEER: What I am objecting to is this—

Mr. MACNEIL: This is not a McGeer committee. It is a committee of the House of Commons.

Mr. McGEER: It is going to be a committee conducted within some reasonable limits.

Mr. MACNEIL: I appeal to the chairman.

Mr. McGEER: My point of order is—

Mr. SLAGHT: You know something of committees.



Mr. McGEER: My point of order is that this witness is asked what his understanding was of unbusiness-like methods when he wrote or before he published the article. Now he is purporting to read from a document that did not come into being until months after the article was published. He cannot do that and say that he used that document before the article was published.

Mr. MacNEIL: He was not quoting.

Mr. McGEER: He was going to read from it.

Mr. GREEN: Mr. Chairman, in fairness I would submit that our examination should be allowed to go on uninterrupted by Mr. McGeer. If Mr. Hunter wishes to refer to the Davis report or anything else to explain his answer. I do not see that there can be any objection to that.

Mr. CHAIRMAN: May I say in answer to the hon. member that the point of order taken by the hon. member for Vancouver-Burrard in my opinion, is well taken; because the member for Vancouver North asked the witness a direct question as to his opinion and his position at a certain time. The witness proceeds to read, as was stated a minute ago, from a report brought down months afterwards. I rule that the witness should answer the direct question of the member for Vancouver North.

Hon. Mr. STEWART: Mr. Chairman, we have listened for a couple of hours—

Mr. MacNEIL: More than that.

Hon. Mr. STEWART: —to the questioning of motives underlying the writing of this article; and as showing some reflection or lack of justification for the article, the commissioner's report has been quoted time and time again. The witness has been asked about the report. If this witness finds in this report any justification for the position which he took or which the writer of that article took when it was published, surely he can refer to it now as showing justification for the position which was taken in that article.

The CHAIRMAN: I quite agree with my hon. friend (Hon. Mr. Stewart) but I submit, and I believe I will be upheld in that submission by the hon. member who has asked the question, if the witness wishes to refer to the report for the purpose of answering the question, I have no objection. The hon. member for Vancouver North has asked the witness certain questions which I understand the witness is agreeable to answering, but for that purpose he wishes to refer to the report, and I see no reason why he should not do so.

Hon. Mr. STEWART: That is all I want.

The WITNESS: I was merely probably doing it in the reverse order. I would mention the following points: That the contract provided for payment of \$20,000 for pre-contract expenses, and that the minister of militia had indicated that he was not an appointee of the government; that the over-riding profit of \$267,000 claimed to have been placed on the profits accruing from the Canadian contract did not represent the maximum profits, that there was an opportunity of securing increase profits through the incentive clause; that the inclusion of 10 per cent on salaries, travelling expenses, overhead and office expenses was not the usual custom on a cost-plus basis; all through contracting firms which follow a cost-plus basis do not get their percentage on such overhead expenses; the contract intimated that equipment for the manufacture of Enfield rifles was to be put in and although this contract was purely for Bren guns the government was paying 10 per cent on that item; the contract forbade the sale of stock, and yet stock was being sold; the Department of National Defence had apparently only dealt with one man and had not investigated other important companies. These are some of the points that would be considered, from the standpoint of business practice, inconsistencies in the contract.

[Horace T. Hunter.]

*By Mr. MacNeil:*

Q. I think you said in your statement that you so considered them in respect of September, 1938?—A. We so considered them.

Q. Your remark dealt with favouritism; what did you mean by that? Would you care to amplify your statement in that regard?—A. The fact remains that only one man was considered. He was introduced by a member of parliament from the riding. No other man was considered at all. The only inference we could draw from that was that it indicated political favouritism.

Q. Did you have any knowledge at the time you wrote the article of other well established firms in Canada that were in a better position to undertake this work?—A. We had very definite knowledge that some of our organizations, particularly the ones in the heavy industries, with regard to firms making precision steel which were in operation and which had skilled employees who would have been able to start in at once where the new company would probably be some months or a year later.

Q. Did you have any information with regard to statements of transactions which you considered contrary to the terms of the contract?—A. We had information regarding the sale of stock, we had received circulars, and knew that the stock was being sold at a very inflated figure considering the money that had been put into the company. It looked like a clear indication of profiteering in the manufacture of war munitions, which the Prime Minister of Canada had stated was absolutely wrong and contrary to the policy he wished to carry out.

Q. What conclusion did you form as to the way Major Hahn and his associates have been represented to the British War Office?—A. I do not know that I could answer that question as of that time. Information came out later. I am not clear on any special information. It may be that the author can give you that. I am not clear on it at the moment.

Q. Did you have information, or on what did you base your conclusion that there had been inefficiency in the Department of National Defence?—A. We had our own articles, three articles in the Financial Post, in I think February or March of 1938, in which we detailed the lack of up-to-date equipment that we considered to be very essential.

Q. You said—I haven't a copy of your statement—you said in one part you had reason to question why only Major Hahn had access to the British War Office; do you care to amplify that in any respect?—A. I do not recall that statement.

*By Mr. Green:*

Q. Mr. Hunter, how long have you been president of Maclean Publishing Company?—A. I think five years.

Q. How long have you been with that firm?—A. Thirty-six years.

Q. Have they followed the policy of publishing articles on national issues from time to time?—A. Yes, we have constantly dealt with important national questions with the one object of more efficient governmental operations and greater prosperity to the people of Canada.

Q. Do you have any members of your staff investigating these public problems all the time?—A. We have many. I published a statement last week. We spent \$78,000 last year on travelling expenses alone for members of our editorial and general staff. That is all for the purpose of gathering information from all parts of Canada and from Europe. We had three men in Europe last year on editorial work.

Mr. GREEN: No doubt every member of the committee reads Maclean's magazine, and it seems to me that everybody—

Some Hon. MEMBERS: Oh, oh!

Mr. GREEN: I have no doubt that they all are reading it since the publication of this article.

Mr. BERCOVITCH: Oh, no.

*By Mr. Green:*

Q. It seems to me that you have had different articles such as articles on the railway problem, immigration, and many articles on the wheat problem on the prairies, on education, on aviation and a great many important Canadian issues of that type; now, is that your policy?—A. That is our policy very definitely, and we endeavour to have our own men make a study of these questions, or where we can get someone who has special qualifications to write on them we secure the services of such a man.

Q. And is the article in question before us considered by you to be one of that type?—A. It is merely one of a routine type of article that we have been publishing constantly for a great many years.

Q. Had you published previously any articles on defence, or on armaments or anything of that type?—A. We did publish articles that had not only national but international circulation—"Canada's Part in the Great War," "The Salesmen of Death" series—those articles were many of them used in schools as text-books for study as to conditions.

Q. For example, the article "The Salesmen of Death" dealt with the profit being made on the manufacturer of armaments?—A. They had to do with the manufacture of arms in governmental factories, particularly where the arms were used only for war purposes.

Q. How long ago was it that you published that series of articles?—A. That was probably a matter of five years, four or five years.

Q. In this case you became interested in the problem of Canada getting her armaments and then publishing the article with your general policy in view?—A. Yes.

Q. Of promoting discussion of Canadian public problems?—A. Yes, we published the article from no other motive whatever than bringing about better conditions in the matter of defence in Canada and the securing of proper armaments at the right place under right conditions.

Q. Have you had studies made of what is being done in Great Britain and Australia in the way of armaments manufacture?—A. We have published information regarding operations there chiefly as news stories.

Q. And the United States?—A. I do not recall special articles. We may have had. I do not recall special articles.

Q. Do you consider the problem of the defence of Canada and the question of the production of armaments one of the serious issues or one of the most vital issues before the Canadian people today?—A. We consider it one of the most vital issues and one which should be taken care of, particularly now, before conditions become even more critical.

Q. Have your publications any political leanings?

Some hon. MEMBERS: Oh, no, no.

The WITNESS: Our publications have no partisan leanings whatever. In fact, Mr. Bennett, the former prime minister of Canada, made very definite statements that he thought we had not been as friendly as we might be with the Conservative Party.

*By Mr. Green:*

Q. I asked that question because I sometimes suspected that myself.—A. The fact that we constantly get criticism from both parties, in fact from all parties, is the best indication we have that we are not following any partisan lines.

Q. You do not pretend to be supporters of any party or any group and you do get criticism from all sides as a result, I suppose.—A. Always.

[Horace T. Hunter.]



Q. That applies to all of your twenty-seven publications?—A. Yes, it applies to all publications. Of course publications of general circulations, such as Maclean's Magazine and the Financial Post, would deal more largely with general current problems. Many of the other publications deal with special fields.

Q. With special business fields?—A. Special lines of industry and trade.

Q. In your next article you may say something that will get the whole Conservative Party on your trail?—A. We really. . .

Mr. McGEER: If he told the truth.

Mr. GREEN: Yes; we have already seen what happens when you tell the truth about the Liberal Party.

The WITNESS: Well, really, politics plays no more part with us—partisan politics—than they would with a man who required a surgeon. He would not be interested in what his party politics was, he would be interested in getting the job done, and that is our position on matters of this kind. We are interested only in the general interests of the country.

*By Mr. Green:*

Q. You consider that your business is simply and solely that of publishers, and whatever stand you take, whether it be right or whether it be wrong, is taken with the national interest in view.—A. It is taken with the national interest in view, and we believe that it is only by sound business policies that we can solve the problems of unemployment and other problems of that kind.

Q. For example, you have carried editorials in the last few months, or perhaps the last few years, dealing with the financial situation of the country, have you not?—A. We have.

Q. And criticizing severely the methods of financing by the different governments?—A. Yes.

Q. You have carried articles of that type advocating more sound financial planning by the government.

Mr. BERCOVITCH: Social credit.

The WITNESS: I think the policy we have followed has at least been a consistent policy through both the Liberal and Conservative administrations.

*By Mr. Green:*

Q. And you consider this particular article in the same class as articles and editorials of the type I have mentioned?—A. Yes. I have a large number of people who pay us a fee to get information for them. We have 700,000 people who pay us a fee of from \$1 to \$5, the subscription price of the paper, to gather information for them.

*By Mr. McGeer:*

Q. How many?—A. 700,000.

Q. Who pay you what?—A. Pay us from \$1 to \$5 per year.

*By Mr. Green:*

Q. Would you explain what you mean by that?—A. That is the subscription price. The price varies of the various papers from \$1 per year to \$5 per year, and there are that number of people who engage us in a sense to keep them informed on public questions. Practically all our publications are business publications. We have a couple of magazines which deal more with events, social events, and so on; but the great majority of our publications and the readers look to us to supply information that will help them solve their business problems and that will bring to them a greater degree of prosperity. And as we perform that job I think we do a very great service to the country in increasing the employment, because it is only as industries are prosperous that they can take on more employees.

Q. How long has the publishing company been in operation?—A. Some fifty-three years, I think.

Q. In continuous operation?—A. In continuous operation.

Q. How many employees have you?—A. We have 952 employees.

Q. Do you have representatives in different parts of Canada and abroad?—A. Yes, we have. We have maintained an office in London, England, for over 50 years, and, as a matter of fact, we have some, I think about, 30 employees in Great Britain. We have representatives throughout the length and breadth of the country.

*By Mr. McGeer:*

Q. You did not happen to have any in the war office during the time you were getting ready for this article, did you?—A. We had representatives in England at that time who called and had very important conversations with the very highest authorities in the war office. And the conversation was confidential or it would be of very extreme interest and importance to this committee. It did furnish a very definite background of information for us that enabled us to be sure that the policy we were following was right.

*By Mr. MacNeil:*

Q. And not in any way contrary to the British war office.—A. No.

*By Mr. Dupuis:*

Q. No representative of yours in London told you that the war office did not want tenders?—A. I beg your pardon.

Q. No representative of yours in London informed you at that time that the war office did not want tenders for the Bren gun contract?—A. No, we did not get any such information.

*By Mr. Green:*

Q. How does your organization compare with other publishing companies in Canada, in point of size and in point of circulation?—A. In point of circulation—

Q. I cannot hear you.—A. In point of circulation, in number of subscribers, I think I can say with certainty, although I have not the figures for the other companies, that we have the largest number of subscribers of any publishing company in Canada.

Mr. FACTOR: It is six o'clock, Mr. Chairman.

The CHAIRMAN: Gentlemen, it is six o'clock. I know that the committee is anxious to get on with these two witnesses, Mr. Hunter and Col. Drew. I suggest that we adjourn until the house meets at eight o'clock and continue with Mr. Hunter then.

Mr. BERCOVITCH: Let us say eight-thirty.

The CHAIRMAN: You are not through with Mr. Hunter, are you, Mr. Green?

Mr. GREEN: I will check it over, but I do not think so.

Mr. BERCOVITCH: Make it eight-thirty.

Hon. Mr. STEWART: Mr. Chairman, your suggestion is for an adjournment until eight-thirty. I know the work of this committee is very important indeed, and that it is the desire of yourself and the other members to bring it to a conclusion. But I scarcely think that it is more important than the work of the House of Commons as a whole. Here we are sitting in the mornings in the house, in the afternoon in the house, and at night. The result is that members are not able to discharge their duties in the house when this committee

[Horace T. Hunter.]

is sitting. This is a night upon which some important public bills are up. This is a night when an hour is given to private and public bills, and there is other important business before the house. I do not wish to make any complaint, but I do wish to point out that when this committee was organized we lost about three or four weeks before we started at all. It does seem to me that we are just putting on a little too much pressure which is not calculated to get the work well done; and sitting as we do in the morning, in the afternoon and in the evening is interfering seriously with our duties in the House of Commons. For that reason, I suggest that we ought not to sit to-night. The house is practically deserted. We of the official opposition are few in number; and we have the duties there to perform, as you know, particularly at this time, the end of this session. I do suggest that it is not reasonable to ask us to sit to-night.

Mr. MACNEIL: Is Mr. Hunter willing to stay over until to-morrow?

The WITNESS: I should like, if I could, to get away; but I am at the disposal of the committee.

Mr. McGEER: You can go into the house any night—with 247 members in the House of Commons—and see very few there. You can go into the house to-night and you will not see more than a handful of them in there.

Mr. MACNEIL: There are 245 members in the house, Mr. McGeer.

Mr. SLAGHT: I think we should try to conclude or to go on to-night. I sympathize with my friend, Mr. Stewart, because I believe the honor and task of leading the house, in the absence of his leader, has devolved upon his shoulders; but he has very able lieutenants here—

Hon. Mr. STEWART: The trouble is they are here.

Mr. SLAGHT: If the division bell is rung, I think we can keep the doors open and nothing will happen to you in that way. We ought to get on with this inquiry.

Mr. GREEN: It is very difficult. I understand that transport estimates are up to-night. We are deeply interested in those.

The CHAIRMAN: In order to try to meet the situation, both the representations made by Mr. Stewart, Mr. Hunter and probably Col. Drew, I might say that we have private bills until nine o'clock, from what Mr. Stewart said—

Hon. Mr. STEWART: Public bills.

The CHAIRMAN: Yes. Could we not meet at nine o'clock and finish with Mr. Hunter? I am in the hands of the committee in that regard.

Mr. McGEER: Why do we want to delay it until nine o'clock?

Hon. Mr. STEWART: Mr. Chairman, as I say, I am anxious to facilitate the work of this committee. If we meet on the understanding that we will finish the evidence of Mr. Hunter, that should not take a very long time, if some other members of the committee desire to continue it. Then let us adjourn and get back into the house on those important estimates.

The CHAIRMAN: In answering my hon. friend, I must say that I am in the hands of the committee in that respect.

Mr. GOLDING: Nine o'clock.

The CHAIRMAN: The suggestion is that we meet at nine o'clock and see how we get on; let the committee decide.

The committee adjourned at 6.05 p.m., to meet again at 9 p.m.



## EVENING SESSION

The committee resumed at nine o'clock.

The CHAIRMAN: Gentlemen we have a quorum now; if you will come to order, we shall proceed.

HORACE T. HUNTER, recalled.

*By Mr. Green:*

Q. Mr. Hunter, before we adjourned at six o'clock I was asking you about Maclean publications publishing different articles on national Canadian problems. In your answers you mentioned having your editorial staff look up this and look up that and so on. Do you frequently call in outside writers?—

A. Yes. We call in writers, particularly when they are able to speak authoritatively and represent various shades of opinion. For example, we have had articles in Maclean's magazine from the Rt. Hon. Mackenzie King, from R. B. Bennett, from Mr. Meighen, from the Hon. E. C. Drury.

Q. You never had one from G. G. McGeer, did you?—A. Yes, we had one. I am not sure whether it was in red, green, blue or what.

*By Mr. McGeer:*

Q. It sold out the issues, did it not?—A. We have not any left now.

Mr. BROOKS: Was it a matter of public interest?

The WITNESS: We still survive.

Mr. GREEN: What was that article on?

Mr. GOLDING: That is a good boy; ask what you are told.

Mr. GREEN: I ask what I want to ask myself.

The WITNESS: I think Mr. McGeer was enlightening the public on currency problems.

*By Mr. Green:*

Q. And he got paid in good coin of the realm for that, I suppose?—A. I think so. I hope so.

Q. You have made a practice, though, of calling in or getting the services of leading Canadians to write these different articles?—A. Yes. I can think of quite a number. We have had Harry Stevens, Jean Bruchesi—

*By Mr. McGeer:*

Q. You have not had Mr. Howard Green?—A. We have had Mr. Howard Ferguson.

Mr. HOMUTH: You will get Mr. Green after the next election.

The WITNESS: We have had J. Howard Ferguson and quite a representative number of public men—all shades of opinion.

*By Mr. Green:*

Q. And you consider this particular article in the same category as the ones you have been referring to?—A. They would all be different; but the same objective would be behind them all, to give authoritative opinion to the Canadian people.

*By Mr. Glen:*

Q. Do you supply the material for those articles?—A. No. We make suggestions very often—in fact, nearly always—as to the subjects to be covered. We always have the right of refusal, of course, to print any matter.

Q. You did supply material for this article?—A. We made suggestions. In that particular instance, the initiative was taken by the editors who did supply some half dozen points that I mentioned; but the investigation and the

[Horace T. Hunter.]

digging up of the material and all the other information would be supplied—furnished by the author.

Q. I thought from the brief you had made inquiries and asked them to do that?—A. We had made preliminary inquiries; we suggested the subject and we indicated the line we would like investigated.

Q. But you had material gathered together then?—A. Well, only part. I mentioned the important parts. There are a great many other phases of the article which would be developed by the author himself.

Q. You did not supply any material for the other?—A. I do not recall supplying any material. We would suggest the subject and the various phases we would want covered from a newspaper angle. We would indicate, no doubt, what part would be a subject of interest and should be developed. That would be the general practice.

The CHAIRMAN: Are there any other hon. members who wish to question Mr. Hunter?

Mr. SLAGHT: I have just two questions, Mr. Chairman.

*By Mr. Slaght:*

Q. Mr. Hunter, I understood you to say that you had representatives and agents in various foreign countries?—A. No. We had representatives—editors who had travelled in foreign countries, and we had offices—had retained offices in London, England, for over fifty years.

Q. Have you maintained any agent in Berlin, Germany?—A. No. But we have had men in Germany and Italy for the last two years, I think each year.

Q. Are you aware that substantial extracts from this article have been published with approval in the Hitler controlled press of Germany?—A. I would not be at all surprised; because an article that was written by one of our editors on Germany, in which they showed many of the unfavourable phases of the Nazi regime, was reprinting in Germany, omitting various parts of the article and merely printing the part that would give the information they would like to get out. So that I would not be at all surprised had it been copied there in any form.

Q. Do I understand from you that you are aware that extracts from this article have been published in the Hitler controlled press of Germany?—A. I am not aware of that.

The CHAIRMAN: Are there any further questions, gentlemen? If not, then the witness may retire.

Witness retired.

The CHAIRMAN: Now, gentlemen, I presume that it is the wish of the committee to proceed somewhat further to-night. I was speaking to Col. Drew a few minutes ago before the meeting opened and he indicated that he would very much like to be able to get away to-morrow. So unless there are serious objections, I presume we will proceed with Col. Drew.

Mr. McGEER: Yes.

The CHAIRMAN: Is that the wish of the committee?

Some Hon. MEMBERS: Carried.

LIEUT.-COL. GEORGE A. DREW, called.

The CHAIRMAN: Order, gentlemen, Col. Drew indicates that while he does not wish to read a statement, he would like to preface his answering of questions by making some statement to the committee. I presume that will be in order, as far as the members are concerned.

Some Hon. MEMBERS: Yes.

The WITNESS: Mr. Chairman and gentlemen, I have no intention at all of starting out by any extended reference to the statements that were made here

last week. They speak for themselves and the very words that were used are it seems to me the most effective condemnation of what was said. But they indicated a very clear intention to create an impression that I wish to answer and that was the reason for my asking to be heard to-night. The impression has been created first in the house and then before this committee, and it is to remarks particularly before this committee that I am referring now, that the course I followed had had the effect of interfering with the rearmament of our forces and the witness presumably under pressure went so far as to use terms which I was rather surprised to hear repeated here this afternoon, because I would have thought that anyone else would have shunned using them; but whether they did or not, the terms used would indicate that not only was there an attempt made to interfere with the armament of this country but that the course followed was detrimental rather than a benefit to our relations with the war office and with the British Empire to that extent. Now, in the first place it has been suggested that there has been an attack on the war office. Let me point that there has not been one word said by way of attack on the war office either in the article which has been already discussed or in any argument that was made before the commission. Quite the contrary. And if there is by implication or otherwise any criticism of the war office it does not arise from anything that has been said before the Davis enquiry, or from anything that has been said so far as I remember up until the words that were spoken a few days ago.

I am here before you to-night neither as counsel for the Maclean Publishing Company nor in any other capacity except as George Drew, as one who has for some time been taking a fairly active interest in matters of this kind. I accept full responsibility for anything I have said in the article, and anything I said in argument, and shall answer for that and shall be very pleased to. But in spite of the rather interesting attempt made to suggest that there is some identity of responsibility between counsel and those he represents in so far as the arguments he uses in the enquiry are in accord, I will only say this, that I shall answer those; but what I wish to do to-night is to express my own opinion as one who has been connected with certain phases of this matter which I think should be before this committee.

Now, in the operation of this committee you have the power to deal with any phases of the record that was made by the Davis enquiry. One very specific one was the fact that he said that he did not feel it was competent for him to deal with the subject of private versus public manufacture, that that was a matter for the decision of parliament. Perfectly proper. Another was where there had been no competition, as in this case, it was of the utmost importance that adequate measures should be taken to insure that the public was protected, and also he laid a responsibility on the government for determining whether adequate care had been taken in choosing the individual corporation chosen in this particular case to carry out this extremely important matter.

And now I submit that this committee can do a very important public service if within the scope of that inquiry it lays a foundation for public confidence in the armament situation in this country which will on the one hand lead to a real rearmament of our forces and on the other hand remove any doubt that may exist as to the steps that have been taken already in this contract or in similar contracts. And I suggest that in discussing this, and in understanding what has taken place, that it will be proper for me to lay before you certain information that has not yet been before you in regard to steps that led up to the present situation. You have heard, for instance, mention of the conference of defence associations; and questions were asked here as to what that was, what its powers are, and what duties it has performed. Now, the impression has been left in the house and perhaps not so effectively here that my criticism of this contract had a political motive, and that it began with the appointment



to office of a new Minister of National Defence. I think it is fair to you as well as to myself, but fairer to those whose courses will be affected by the decision that you are going to make to know exactly what has taken place in these matters in the past few years. You have not had that before you.

Now, a demand for the reorganization of the Canadian militia did not come from the present Minister of National Defence. I have paid tribute when I thought tribute was due, and I have felt tribute was due to the present Minister of National Defence, and I shall read to you the words in which I have expressed my confidence in what he has done in the past. When he took over a situation existed in which he acted, and I believe acted in a way which met with the approval of the militia of this country. Now, I want to take you back to the year 1932. That after all was the year, in view of the very nature of the conditions of that time, there had been a very considerable reduction in the allowances for training and with those reductions in the already fairly reduced allowances at that time there was great difficulty in regard to the training of the militia of this country. Those of us actively connected with militia training in this country were greatly concerned about the situation. We had numerous discussions in the spring of 1932 and as a result of these discussions a special committee was appointed to consist of Colonel Hope, now Mr. Justice Hope of the Supreme Court of Ontario, Colonel Beament, representing Canadian Signals, and myself as representing the Canadian artillery. I was at that time president of the Canadian Artillery Association, which as some of you may know directly controls the general program of artillery training in this country. We met and discussed ways in which the situation could be improved, and we thought that the best way to meet the situation and discuss what we considered to be an extremely serious situation, only aggravated by the conditions as they then existed, was to call together in a conference at Ottawa representatives of all the service associations of this country. And consequently as president of the Canadian Artillery Association I was requested to write a letter to the president of every other service association and ask them to appoint four of their senior officers to meet at a conference at Ottawa in November for the purpose of considering ways and means of improving training in this country and reorganizing the Canadian militia. That was done with the consent of the then Minister of National Defence and also with the consent and understanding of the general staff. When Colonel Hope, Colonel Beament and I met we drafted a constitution for this conference, if you like; and then we met in November at Ottawa, on the 18th and 19th of November, 1932, and there were represented senior officers of the Canadian Cavalry Association, Canadian Artillery Association, the Military Engineers Association of Canada, the Canadian Signals Association, the Canadian Infantry Association, the Canadian Machine Gun Corps Association, the Association of Officers of the Medical Services of Canada, and the Canadian Army Service Corps Association, the Royal Canadian Naval Volunteer Reserve, the Royal Canadian Ambulance—non-permanent. A number of these associations represented both permanent and non-permanent, including artillery, cavalry and infantry; consequently it was a representative body of the militia of the whole of Canada; and as I had been appointed the chairman of the sub-committee of three I was then asked to explain our proposals to the larger conference, and I am reading now from the official report of that conference (these words are mine):—

The organization was to be called the Conference of Defence Associations and was a conference called to consider the problems of national defence, to coordinate the activities of the present service associations in matters of common interest to all services, to make such recommendations to the government of Canada as may appear expedient, and generally to promote the welfare of the defence forces of Canada as a whole; what the conference met at Ottawa to decide was something to

be determined by the meeting; the conference was at the call of the chairman; and then it goes on with the usual provisions in regard to the chairman, secretary and so on.

In the discussion that followed it became apparent that the main concern of the militia at that time hinged around the reorganization of the militia and the equipment of that reorganized militia, and it fell to my lot as chairman of the sub-committee to present a brief in regard to this reorganization. I shall not attempt to read the whole document because the great part of it refers in details to matters purely of reorganization, but I suggest that what I propose to read has a very definite background on the bearing which leads up to the present situation, as I shall later show you. These are my words:—

And, incidentally, may I say this; that the suggestion has been made again, and I do not think we need to argue that point, that it was only with the acquisition of office of Mr. Mackenzie that I became critical of national defence in this country. Well, some of you who are members of the militia will remember that I coined an expression which has not found favour in some places I will admit, at a time when the Conservative government was still in power, when I referred to the defence forces as "our bow and arrow army." I have not changed that description, and it should not be changed to-day, except perhaps that it has no arrows. These were my words at that time: "I do not think anyone who has been directly concerned with the training during the past two years will question the fact that there is something radically wrong with the whole system; that the present unsatisfactory arrangement cannot go on without impairing the morale of the non-permanent active militia to the extent that it will make recovery difficult, if not impossible, for some years to come."

And then there are certain details of cost of training, and so on and so on; and then I come to:—

Sir Frederic Borden in 1905 as Minister of Militia outlined the purpose of a training program in words which are applicable to-day, which are as applicable to-day as they were then. He said (I quote from Sir Frederic Borden's word) "The best way to serve the common interest for the defence of the Empire would seem to be to make each part of it self-reliant and strong enough to defend itself against any ordinary attack; at any rate to be sufficiently strong to take the initiative in repelling such attack." To do this it would seem to be desirable in everything required to place an army on a war footing in the field should be procurable within the country itself. The departments necessary to equip and maintain an army in the field had been organized in Canada, and officers and men are being instructed and trained on the principle now generally adopted that organization in peace should be as nearly as possible the same as that which would be required in war.

And then I go on to another point later on; (these are my words):—

We must face the danger of continuing under the present lack of integration which is wasteful of men and money, and cannot fail to injure the spirit of the militia to an extent that will not easily be repaired. The special operation necessary may be painful but the longer it is delayed the more painful it will become, and I do not think we can too strongly emphasize that it is the only alternative to a disastrous inefficiency in our militia system. Such a reorganization need not be so painful as would at first appear. Units in the service could in many cases be

converted into conveniently selected arms such as armoured car regiments, light artillery, tank battalions, etc., and could also be used to complete the establishment of units now deficient in the artillery, engineers, signals, C.A.S.C., etc.

On a six division basis some of the more important surpluses are—23 cavalry regiments, 11 signal companies and 51 infantry battalions. On the other hand, it is a very formidable list of units deficient such as—2 armoured car regiments, 26 18-pounder batteries, 18 3·7 -inch Howitzer batteries, 9 4·5 Howitzer batteries, 10 6-inch Howitzer batteries, 13 corps and army artillery signal sections, 12 construction sections (signals), 12 cable sections, 10 maintenance companies, 10 ordnance workshops and so on.

In all, there are 125 units surplus on a six division basis and 226 units deficient.

The re-organization on this basis would not, however, mean an increase in numbers trained. It would mean a considerable decrease because the surpluses are mostly large units, whereas the present deficiencies consist mostly of small units which are nevertheless absolutely necessary to an effective divisional organization.

The saving would result from decreased rental overheads, the possibility of central camps, if we have a properly balanced force, and a reduced number of headquarters.

With the apparently unanimous opinion of all military experts in favour of such a course there seems no reason why there should not be some steps taken immediately to effect the re-organization which is so urgently needed.

Then I moved the following resolution which was seconded and carried unanimously by the report of the defence forces of Canada, and this was the resolution:—

That, in the opinion of the officers present at this conference of all branches of the non-permanent defence forces of Canada, the present organization of the active militia is not capable of efficiently fulfilling the purposes for which it exists. It is therefore strongly urged that the Department of National Defence consider the advisability of re-organization upon the basis of a survey of the present requirements of the Canadian defence forces by the national defence council, and that the government of the Dominion of Canada be impressed with the urgent need for an increase in appropriation for national defence.

Now, that was in 1932. In 1933 we held the next conference and I was the chairman of that conference. At that conference we were presented with a plan for re-organization of the militia forces of Canada drawn up by the general staff. Argument ensued upon that and there was considerable criticism of certain details. As a result of that and as a result of the expressions of opinion at that conference in 1933 the general staff was requested and ultimately instructed to re-draft the organization on a different basis.

In 1934 that plan had been approved by the militia of Canada. Then instructions were given to district officers commanding to work out the necessary details whereby some infantry units which had been infantry for years must become artillery or some other branch of the service, and so on.

At the conference in 1935 those preliminary steps had been completed and the set-up was there with the details worked out for the changes from infantry to tank, changes from cavalry to other units, and so on, and it was a plan worked out under the request of the defence forces of Canada working through the Conference of Defence Associations for a re-organization of the militia in this country.



Then we met in November of 1936. We met here in Ottawa on November, 1936, and I ask you to recall that date for this reason; that it was in the October preceding that the preliminary steps occurred which led up to Major Hahn's trip to England and the interest in the Bren gun and actually to communications between the Canadian Department of National Defence and Canada House and the war office. This was in the month following. We met then in Ottawa. We had a complete representation of every branch of the service in Canada, represented by their senior officers fully appointed. The general staff was also there.

On that occasion it happened again that I did prepare a brief which led to a resolution which was passed unanimously by that association. And having regard to the suggestion that I or any others who have been opposed to this question of the rearmament of the forces, I ask you to listen to the words that were said at that time and the opinion of the militia in approving the resolution that was then moved.

This was the resolution which I moved and which Colonel Thomas, then president of the Canadian Infantry Association, seconded:—

That this conference of defence associations urges the government of the Dominion of Canada to take immediate steps to create a munitions board or some similar body to control the production within Canada of such munitions as can now be made satisfactorily, and to prepare plans for the effective mobilization of our industrial resources in the event of war; and that a copy of this resolution be sent to the Prime Minister and the Leader of the Opposition.

Then, speaking to that resolution, these are my words as quoted in the official record. I quote them merely for the reason that they express the clearly defined opinion not only of myself, as on record here at that time, but the opinion of the militia officers of Canada as expressed by the unanimous resolution:—

In speaking to that motion I would recall that the chief of the general staff has just referred to the reorganization that is now under way of the land forces—

That is the reorganization which I have described through the steps which led up to it.

—and I do not think that the Conference of Defence Associations should have any feelings of modesty in regard to the part that it has played in the last five years in stimulating an interest in that very necessary organization. While passing, may I say that I am satisfied that every officer present can only feel, no matter how painful the operation has been to certain branches—

and I ask you, some of you—I do not say this pointedly—but some of you who have suggested that with the change in government I suddenly became critical of the Minister of National Defence in the department, I ask you to listen to the following words:—

While passing, may I say that I am satisfied that every officer present can only feel, no matter how painful the operation has been to certain branches, a great deal of pride and pleasure in the energy shown by the Minister of National Defence in putting it into effect.

That was the Hon. Ian Mackenzie.

This reorganization has cleared things up for us and when completed we will have a land force, having regard to our conditions, approximate to the organization of the land forces in Great Britain and in so far as can be done, we will have a force that will be brought up to date. We

[Lieut.-Col. George A. Drew, K.C.]

then come to the next step, and that is the maintenance of that force, and it is elementary knowledge to all of us that the maintenance of any force is a matter of supply. In Canada we are almost completely helpless unless we are able to get munitions for the forces we have from the mother country or from the United States.

It seems to me that we must recognize the fact that in training and in preparation for war we must face the possibility that Great Britain may not be able to help us and we might find ourselves in an emergency faced with a situation where the defence forces of Canada might be completely helpless, unless we are on a self-dependent basis in the matter of the supply of munitions. We did demonstrate during the great war that we are able to supply munitions in Canada. We made almost all the munitions in Canada that were required by the Canadian overseas forces. We have in Canada to-day a highly industrial country which could be very quickly put on a proper basis of military production so long as the original plans for production are made. But it is not enough to have these plans in somebody's mind. It is not enough to have these plans tucked away marked "A," "B" or "C." It is necessary that we have trained men available to take over the industrial facilities to supply our forces in war. We saw in Canada during the great war one of the most efficient demonstrations of the mobilization of industries in the world, i.e., the Imperial Munitions Board. My own suggestion is that we should now have set up in Canada a munitions board independent of the Department of National Defence and renouncing any military control. It must be an industrial organization. I do not suggest this as any reflection on the complete efficiency of the Department of National Defence, but the munitions board would be very largely composed of leaders of industrial enterprise, industrial training being necessary as the military training behind it. I do suggest that Canada would be very well advised to set up immediately a munitions board so that the industrial strength of the country may be organized to co-operate with the land forces we now have.

Now whether it would be a munitions board or a munitions department of the Department of National Defence its functions would be as follows:

1. The manufacture of munitions for the land, sea and air forces in Canada.

2. The training of men to act as instructors in industry in the event of national necessity and the changing of peace time industries into wartime production.

3. Preparation of plans of all kinds covering all industries so that they may know what their products are in the event of war.

Now we did demonstrate effectively in Canada that improvised plans are extremely expensive in money, human life and national effort. If we have learned any lessons from the great war, we should have learned the lesson that in addition to the extremely necessary support of a trained army, navy and air force, we must have a highly trained industrial force to supply them with what they need.

The chief of the general staff referring to the resolution submitted by Colonel McCamus, stated that it would not be possible to supply Bren guns to all units of the active militia for some time to come. Now we have spoken in confidence before and we speak in confidence again. It is a matter of common knowledge that the equipment of the old Ross rifle factory is still available; that there is still equipment in Canada to-day that could turn out guns of every type. Therefore, it does seem to me that we must face the issue squarely, as we faced the issue of re-organization, and ask that this be done.

It does not seem right to me that Canada, occupying the industrial position she does, should be dependent upon Great Britain for the Bren guns or anything else because there is a sea dividing us that prevents us from getting them. We need not embark on any elaborate production, but we might obtain the necessary machinery for the manufacture of the Bren gun, field guns, anti-aircraft guns, all small arms, ammunition and equipment of every kind. We could go ahead producing the machinery that might be necessary in the case of war. I do not suggest that we embark on any scheme of large-scale production, but just as it is necessary to train skeleton units of the army in peace so that they may be ready for war, so should we have certain industrial units to train other personnel.

If any one suggests that that is a difficult problem for us, I will ask you to consider this. Australia is not such an industrial nation as we are, yet Australia is doing just that thing to-day. Australia is able to manufacture her machine guns, field guns, anti-aircraft guns, ammunition, equipment for her mechanized artillery and every branch of mechanized production that is required for war. Australia under a munitions department is planning and has already accomplished co-ordination of all industrial activity in the event of war to an extent that we have not even yet dreamed of in Canada.

They are in every way doing the very things which a nation would be expected to do which recognized the necessity of assuring supplies of munitions, as much as the training of men in the use of weapons. We are far better equipped industrially than Australia. We have in Canada skilled men who are capable of directing the production of explosives and the preparation of gas for chemical warfare. Then we have great steel plants in Canada where our artillery could be turned out, also our tanks, armoured cars and everything of a similar nature. We have automobile factories which could produce tractor equipment. I do not need to emphasize the necessity for the preparation within Canada for the production of aircraft, not only for defence purposes, but for commercial use, which is equally important. We have had experience in that. We should remember that during the great war the production of aircraft in Canada was carried out by the Munitions Board, therefore I say that the most effective organization in Canada would be a Munitions Board. During the war we produced 2,200 training machines, not one of which failed on account of mechanical weakness. We supplied thirty flying boats to the American navy during the war and the largest machine which we built at this stage had a wing spread of 102 feet. These were built entirely by Canadians. Today the wood that is being used in British aircraft is being produced in Canada. We have in Canada today some of the largest automobile factories in the world. There is no practical reason why we cannot make any type of aircraft that is being turned out in Great Britain today, and also there is no earthly reason why we cannot turn out all the engines necessary, similar to those in use in England. We could get the specifications through the war office and in that way we could produce in Canada aircraft of the very finest type, and we could avail ourselves of the trained personnel available in this country if required in the event of war. Now we do not want to spend a lot of money. I do not want to elaborate the point any more, but I do say most emphatically that we as a conference of defence associations are here to co-operate with the Department of National Defence. We should not forget for one moment that we are all non-permanent officers, interested in the improvement of the Canadian militia and that we are free to express our opinions in any way. While we know in this case that our views coincide with those of the Department of National Defence we should not be afraid to express completely opposing views if we think they are correct.

[Lieut.-Col. George A. Drew, K.C.]



I suggest that the conference of defence associations has reason for pride today in the re-organization of the Canadian militia. The re-organization of the non-permanent air force is also in progress and it would appear that the Canadian navy is shortly to be increased. If we stop our work there we might as well fold up our tents as a conference of defence associations. I feel that we have discussed certain things today which might have been eliminated and taken up direct by the particular association concerned, with the department. Without being critical I suggest that our most important function is to deal with broad questions of policy. I say if we stop as we are on this question of reorganization I think we have wasted our efforts. I think, gentlemen, that this resolution should be presented as indicating to the government the views of the non-permanent officers of Canada, that our industrial resources should be mobilized on as modern a basis as our land, air and sea forces.

Now, gentlemen, I suggest that no matter whether you agree with the terms of these recommendations or not I think at least it was an attempt to set down a plan upon which this country could have been self-supplying—this argument was made in November, 1936—that we could have been on our way to supplying ourselves with equipment for our land, sea and air forces.

The Honourable Ian Mackenzie was present at that meeting. As is customary when ministers are present, he told us he would take into consideration the recommendation that was passed. We discussed the question of the Bren gun; we were told that machinery was available, which would, with certain minor additions, make it possible to manufacture these guns in Canada.

I just want to deal with one point in regard to that, and that is the question that has been causing a lot of confusion, and which it does seem to me, is extremely important, in trying to produce any constructive recommendation in regard to this or any similar contract for the production of munitions in this country. In all the discussions that have taken place, a very clear distinction has been drawn by the officers of the Canadian militia and also by the general staff of Canada between weapons that have no purpose but killing and between munitions in general which have a possible dual purpose, such as aircraft, the mechanized equipment and things of that kind. The views held by the militia officers who have expressed themselves on the subject have been perfectly clear. In their opinion, they wanted to see the killing equipment, that ghastly market which has no other market but governments and has no use but the killing and training for that purpose—and let us face reality—a clear distinction between that and these things turned out with some other possible purpose. And our request was clear. We wanted to see what we termed the primary equipment of war, weapons such as rifles, machine guns, trench mortars, artillery weapons, anti-aircraft guns and things of that kind which have no use but war or training for war, we wanted to see these manufactured in peace time exclusively in government owned plants or government arsenals, or—and our industrial advisers suggested reasons for this—at least assembled in their final stages in such arsenals.

It has never been suggested by the militia of this country, nor has it been suggested by the general staff in the discussions which took place at these meetings—and there were many discussions—that munitions in general such as aircraft and trucks and so on, should be nationalized.

I am not going to argue here whether that is right or wrong; I am simply explaining that is the situation, and one upon which there has been a great deal of confusion, because I have seen the statement made in relation to this matter that it was absolutely absurd to suggest that we could nationalize the armament industry in Canada. I have never suggested that; I have never heard any militia officer state that, and I have not heard the general staff suggest that, although the general staff as such has recommended throughout the years that we should have an arsenal, Dominion plants for the production of this primary equipment. That distinction should be clear in people's minds.

Now it has been suggested that some practical difficulty presents itself in manufacturing weapons, and I ask that I may please emphasize the word "weapons," rifles, machine guns, artillery weapons, anti-aircraft guns, and things that fire and kill as distinct from munitions in general such as shells, aircraft and so on. The suggestion has been made that there is some impractical aspect to that. We have heard a great deal here about the wisdom of the war office, and I believe in the wisdom of the war office. I believe on the other hand also that we, as Canadians, are competent to make up our own minds as to the course that we shall follow in national defence or any other matter, taking the best advice we can from any place in the world. But when you place so much emphasis on the reliability of the war office, may it then not be as important and of interest to remark that in Great Britain the Bren gun is being made in a government plant, the Enfield plant; and it was not created for the purpose of manufacturing the Bren gun. The Enfield plant has been in operation for over a century. They find in Great Britain, where they have not been committed to public ownership as much in principle as we have in Canada, that they are satisfied to rely on the manufacture of Bren guns in that government plant. They also make a large percentage of their small arms, their rifles, in the same Enfield plant.

Australia, which as I pointed out in this statement in 1936, preceding the passing of the resolution of the conference of defence associations, Australia has decided to rely for the production of weapons on public plants.

Now, gentlemen, I suggest with all deference to the wisdom of those who have expressed opposite views, that you cannot dispose of this question of the nationalization of the production of arms simply by saying that it is not practical. As a matter of fact, most of the arms in the world to-day are being turned out in government-controlled plants. France has nationalized the whole munitions industry, not only its arms industry, but it has nationalized its whole munitions industry, and France to-day is not suffering as a result of that.

Mr. McGEER: France has gone to a dictatorship, though.

The WITNESS: They nationalized it under Leon Blum.

Mr. McGEER: Yes, but they went to a dictatorship.

The WITNESS: You do not think the nationalizing of the armament plants created a dictatorship?

Mr. McGEER: I am rather satisfied that that was one of the essential things that caused it.

The WITNESS: I am quite prepared to argue with you on that, but it happens to be quite the contrary. The fact is in the last election in France, the election was largely fought on the scandals, which you might remember, in connection with the interlocking interests between the banks and the armament companies in France. Because of the fact that the communists, left-wing socialists in France had taken a very clear stand on the complete nationalization of the armament industry, they at least reached the point where temporarily one of their own men became premier of France. And I have been led to believe from a purely historical point of view that Mr. Hitler had quite a good deal to do with the steps that led to Daladier being chosen as premier with fairly wide powers in France to-day; but I am not going to concede that he is a dictator. I think he has no wider powers to-day than Roosevelt has in the United States; but that is perhaps a little aside from the point. The fact is that the French armament industry—and we are on extremely intimate terms with France to-day, with complete interlocking understanding between the general staffs, and we as a British people are very largely dependent for the security of such arrangement as has been made on the nationalization of the armament plants of France.

I am only arguing the fact that any suggestion that nationalization of small armament plants is impractical is apart from the actual facts of the situation.

[Lieut.-Col. George A. Drew, K.C.]



But the view I held then—and then, of course, may I go farther than that, since you have spoken about the question of dictatorships. May I point out that in the dictatorship countries which unfortunately for us are not too inefficient from the point of view of munition supplies, they have the production of armaments under extremely rigid government control. I am not arguing here one way or the other as to the exact details of that method of production. I am merely saying it has nothing to do with the recommendation which was made by the general staff that small arms should be made in an arsenal in this country.

Mr. McGEER: I did not want to interrupt you, Colonel Drew, but the matter just came to my mind, because all that you have discussed here this evening with regard to that was taken into consideration by the interdepartmental committee and recommendations were made to it which, I think you probably do agree, had some effect in influencing the policy of the present government.

The WITNESS: They did not act on the recommendation of the Skelton committee.

Mr. McGEER: Well, I think that is a matter of opinion.

The WITNESS: I am very anxious to come to that because you mentioned it this afternoon; and they did not act upon the recommendation of the Skelton committee, nor did they act upon the very clear recommendation of the Royal Commission of Great Britain, which has been referred to here and which was referred to in evidence before. But I want to point out that this question of manufacture of arms is not something that has been left to any few people or was simply the idea of a few people in this country. It will not take me very long to read it, and I just want to bring you comparatively up to date to the time that this contract was signed, to show exactly what my own ideas were right up to within a few days of the time that contract was signed. On March 26, of last year—which, as you will remember, was just a few days after the contract was approved but was five days before the contract was dated—an article appeared in the *Financial Post* which, of course, was written a little before that. It would be a few days before because in this case this is a weekly publication. In that I was again discussing the question of the means of assisting our defence forces. I spoke there of the manufacture of weapons in Canada, and this is what I said on the 26th of March, 1938, five days before the date of this contract, but also four days after the contract had been approved:—

It seems perfectly obvious, therefore, that if we are to have a defence force capable of defence, we must make what we require in Canada.

A definite decision to adopt this course must be forced on those in authority by an enlightened public opinion. There is no explanation for the present situation which holds water.

An outstanding example of the farce which has been kept from the public far too long is that large quantities of artillery ammunition are being manufactured in Canada, under inspection of officers from the Woolwich Arsenal, for shipment to Great Britain, while we still look to Great Britain for our own supplies. The answer has been suggested to explain this anomaly, that these shells are of a different calibre than those required in Canada, in view of the fact that our guns are obsolete. This is no answer at all. Because of the very fact that our guns are of the obsolete Great War pattern—

And remember, every one of our land artillery weapons are obsolete and were made during the Great War; that is, those that were not made before.

—there are in Canada to-day dies and equipment for the production of shells for those very guns which could be set up without delay to supply the shells we need until such time as our artillery is equipped with modern guns



*Australia's Action*

Australia dealt with this situation six years ago. They appointed a munitions board to arrange for the production . . .

Then I summarized very much what I said before and go on to say:—

The result is that they have a defence force which is capable of defending their country and they also have the assurance of a continuous supply in the event of interference with seagoing traffic. Not only are they meeting their own demands but they are supplying a considerable part of the requirements of New Zealand and South Africa as well.

If Australia can do it, Canada can do it very much more easily because we have had a greater experience in steel production and have all the raw materials necessary for a self-contained industry.

*Munitions Record*

During the Great War Canada proved that munitions could be manufactured here as well and as cheaply as in any other part of the Empire. At the beginning of the war our production of artillery ammunition was insignificant. During 1914 we sent overseas only 3,294 18-pounder shells.

But with the creation in Canada of the Imperial Munitions Board, production jumped in leaps and bounds, and during the last two years of the war one-third of all the ammunition used by the artillery of the British Empire in France was manufactured in Canada. Before the end of the war we shipped overseas the staggering total of 65,345,647 artillery shells. And yet, in spite of the lessons of the last war, no ammunition is being produced for our own artillery in Canada to-day.

Our young men who are voluntarily offering their services to defend our country should not be confronted with the possibility that an emergency might arise in which they would be called upon to meet a force equipped with modern weapons. We have the men. We have the resources. The urgent need to-day is an organization which will plan for the manufacture within Canada of everything which is needed for national defence. This does not mean one year from now, two years from now, or in the dim distant future, but within the next few months.

*Need For Munitions Board*

There should be a Canadian Munitions Board, under the chairmanship of an experienced steel manufacturer. On that board should be on the one hand members of the general staff, and on the other hand men with expert knowledge.

Then I outline, as I did before, suggestions that have been made in regard to the creation of that board. I then continue:—

If this plan were followed and a man of proved ability appointed as chairman, substantial quantities of new equipment could be delivered by the end of the year. We need the quipment and there is no reason why Canadian workmen should not be given the opportunity to make it.

Canada has gone on record as being opposed to the private manufacture of arms, which makes it all the more important that we should have a dominion arsenal for the production of rifles, machine guns, artillery weapons and things of that nature.

Such an arsenal can be in production within six months, if this problem is faced as a business problem.

If these steps are taken, Canada will be producing not only its own requirements in a short time, but will be able to take care of the mounting needs of a considerable part of the rest of the Empire as well.

[Lieut.-Col. George A. Drew, K.C.]

There is no reason whatever why Canada cannot produce the finest aircraft in the world.

Then I refer to the experience to which I have already referred. Continuing, I say:—

The Minister of War made a statement in the British House of Commons on March 11 which should be borne in mind by everyone considering the problem of national defence to-day. He stated that army strength, once estimated in man power, is now being thought of in terms of mechanized units. He said:

The strength of our navy is assessed in ships, not in personnel; that of the air force in squadrons, not in ground staff. The strength of the modern army is based not on the individual, but rather on fire-units, which combine fire power and mobility.

On the basis of mechanized units Canada has practically no land force at all. Either the Minister of War in Great Britain knows nothing of what he is talking about or our defence forces are utterly incapable of performing the service they have voluntarily offered to perform if the necessity should arise.

National defence has been of necessity one of the most important considerations of every government of every nation since nations took form. National defence is not the job of the man in uniform alone. It is the job of every citizen of the country. That being so, there is no justification for political contracts in the purchase of equipment. Aircraft, tanks, and equipment of that nature.

And I would ask you to mark those words, "aircraft, tanks and equipment of that nature."

—must necessarily be made in industrial plants instead of the dominion arsenal. But defence is just as much the responsibility of the manufacturer of aircraft, engines, and mechanical equipment as of anyone else in the country. It should therefore be done on a rigid cost plus basis. The Munitions Board should have authority to fix a price on such a basis.

There is no reason why we cannot make aircraft, tanks, and mechanized equipment for the land forces at reasonable figures. Mass production does not enter into the question as much as might at first appear, as there are very few factories turning out equipment of this nature in Great Britain or any other country that are on a really large mass production basis.

### *Problem of the Moment*

There is no problem facing Canadians which requires such immediate attention and there is no problem facing Canadians which is so easy of solution if it is dealt with by men with business experience completely free from departmental red tape and completely free from the necessity of making any contract on a political basis.

Canadians must wake up to the fact that in spite of increased expenditures we are less able to defend ourselves, having regard to world conditions, than at any time since the Great War. Where responsibility lies for permitting such a condition to develop without the public being aware of it, need not be discussed.

Great Britain and many other nations have found it necessary to reorganize their general staffs to meet modern conditions. This is not a time for temporizing. The Canadian defence forces need a major operation. If such a shakeup is required in Canada, it should be done with greater regard for the welfare of our 11,000,000 people than for the feelings of the small number directly concerned.

If we are to have defence forces at all we must decide NOW that our resources and our men will be co-ordinated for that purpose.

Now, gentlemen, I have read that at perhaps greater length than you may think was necessary; but I have read that for the purpose of indicating quite clearly what my opinion was right up to the time this contract was signed. At the time those statements were made, I had no knowledge of this contract, and I had no knowledge of the fact that the government of Canada had departed from the principle that, so far as weapons are concerned, they were going to adhere to the clearly defined policy that they would be made in a government arsenal. That policy was not my policy. That policy was the policy explained to the militia officers of this country by the general staff of Canada, that group of highly competent officers and highly trained officers; and the general staff of this country had advised, and advised consistently, that we should make the weapons in Canada in a dominion arsenal. The words of the general staff are very clear on that. There was a meeting of the defence council, which is the general staff, held on October 28, 1936, at which time these preliminary discussions in regard to this Bren gun contract had already taken place, and actually an indication had been given by letter that Canada was likely to consider the private manufacture of the Bren gun. The national defence council or the general staff met here in Ottawa on October 28, 1936, and the Minister of National Defence and the Deputy Minister were present at that meeting. The others present were: the chief of the general staff, General E. C. Ashton; the chief of the naval staff, then Commodore, now admiral, Percy W. Nelles; the senior air officer, air commodore, now air base marshal, G. M. Croil; the judge advocate general, Col. R. J. Orde; the quartermaster general, Major General T. V. Anderson and the Master General of the Ordnance, Major General A. C. Caldwell; and acting as secretary and also present was Col. MacDonald. At that meeting they discussed the question of the manufacture of Bren guns and of other equipment; and the general staff strongly recommended that immediate steps should be taken to proceed with a government arsenal. That recommendation was made by the man, after all, who had had the training, the years of experience in the actual business of war and the training for war itself. This is what is recorded in regard to the statement of the chief of general staff:—

The chief of the general staff reminded members of the unsatisfactory experience that Canada had had in having its rifles produced in a civilian factory. He invited attention to the fact that Australia had set up a government factory about the same time that Canada had decided to arrange for manufacture by civilian factories.

He was referring to the war period.

The Australian factory has been working ever since, but Canada has nothing to show for her experiment. He stated that if civilian firms started to manufacture they would be faced with the same problems as the government would be, in respect to special machinery and skilled labour; but that when they discontinued production the government would lose all or most of the benefits it could have if it operated its own factories.

*By Mr. Glen:*

Q. What are you reading from, Colonel Drew?—A. I am reading from Exhibit 277, at the enquiry before Mr. Justice Davis, which was a copy of the minutes, or of the minutes as a matter of fact over an extended period, of the national defence council. Again I come back just for a moment to the question of whether or not this argument about preparing equipment for our defence [Lieut.-Col. George A. Drew, K.C.]



forces is a political argument or not. On May 15, 1936, I wrote another article, or another article appeared on that date, under the title of "Our Bow and Arrow Army"; and mark you, that was some considerable time before there had been any discussion about the Bren gun contract or anything else of that kind, and these are my words at that time:—

The officers of the Canadian militia have for many years been unanimous in their demand for a complete reorganization of the Canadian militia services, the necessary supplies of war equipment and the commencement of some clearly defined policy in regard to aviation and aircraft production. World events demand that the government take immediate action. The subject transcends all question of party politics and it is so important that a special session of parliament could very well be called for a consideration of the subject in the hope that the customary divisions on a party basis might be avoided". Now, gentlemen, as practical politicians; of course I have no doubt you may tell me I am not; but as practical politicians you may disagree with the possibility of such an ideal answer, but that was my suggestion; and even at this late date I still suggest, three years later, that something of the kind might very well be considered, because after all one thing that it seems to me should be borne in mind with regard to this is the fact that the Bren gun is only a relatively insignificant part of arming the defence forces of this country. It is important. It is vital, because this contract was the first contract, and incidentally it was the first departure by the government of the Dominion of Canada from the principal clearly enunciated, that the government of this country wanted their arms manufactured in state owned establishments. This country went on record in parliament, and at Geneva, as being opposed to state owned establishments and the three major groups in the house, the Conservatives, Liberals and C.C.F.'s—the three major groups in the house at that time, unanimously supported the position that Canada was opposed to state owned establishments and went on record to that effect.

*By Mr. Green:*

Q. Did you say "opposed to state owned arsenals"?—A. I am sorry, were in favour of state owned establishments.

Q. You said "opposed" twice?—A. I want that corrected in the record; were in favour of manufacture of all primary weapons in state owned establishments, and were opposed to the manufacture of weapons such as rifles, machine guns, artillery weapons and so on in anything but state owned establishments.

Now, I asked the right to be here because certain suggestions have been made, but since I am here I also am speaking as a militia officer who has had continuous service in the Canadian militia since 1910, and consequently has had fairly accurate contact with all developments during these years. I want to speak as a witness in that respect. This contract only deals with one of the many types of equipment and munitions which are necessary. Every rifle in the hands of the militia in Canada to-day is obsolete, every one. These Bren guns—I mean some people have come to think that once you get Bren guns finished you will have armed the defence forces of Canada; even if we had all of them we would still only have slightly better than a bow and arrow army, because they have to have heavy machine guns, machine gun rifles, trench mortars, and all the equipment that goes with modern infantry. We haven't a single modern heavy machine gun in Canada, not one—not one that was not made during the great war and that is not completely obsolete. Our artillery is hopelessly obsolete. Every artillery weapon in the possession of the mobile batteries of Canada was made before the end of the great war and every 18 pounder in the possession of the field artillery is not only obsolete to-day but was obsolete at the end of the war because they are not even the last war

pattern; they were bought at a bargain immediately after the war because they were even then out of date. You go right through the field equipment, it is obsolete all the way through; and then you come to the coast defence artillery and the anti-aircraft—and now, I have seen the statement made that in spite of requirements, varying according to the expert who makes the estimate, from 120 something up to 200 something; either figure as a matter of fact is extremely low compared with modern demands on a European basis, but I am not suggesting that our demands are on their basis; but according to the estimates furnished by the department it is something in excess of 100. I have seen the statement made that we only have 18 anti-aircraft guns in Canada at the present time. Gentlemen, we haven't 18 anti-aircraft guns at the present time, we only have four anti-aircraft guns at the present time that could be fired with any confidence of effectiveness against any aggressor aircraft. These are known. It is easy for anybody to check up and find out. There were four 3 inch 30 hundred weight that were delivered last summer to this country, and not even the latest British pattern—for instance the latest British pattern is the high-velocity type of anti-aircraft gun. We have four guns that we were prepared to take because they were replacing them with the new high-velocity gun. It is a good gun and we have four of them. The other guns included in that figure of 18 are some antiquated, museum pieces that were made during the war and should not be fired, because it would be a pity to blow them up, they should be kept as relics of the great war. There are only those four guns, that is all.

And then we come to the question of tanks: In the reorganization which was carried out there were a great number of tank battalions created, and there is not a single tank in Canada to-day; and do not be misled by the pictures that are shown of the small Vickers machine gun carriers, they are not tanks; they incidentally also are obsolete. We have only 18 of them, but they are a mechanized machine gun carrier of which you sometimes see pictures with a description of tanks. They are infantry equipment which is now out of date. We haven't a single tank. We haven't a single piece of mechanized cavalry equipment in Canada, although outside of the household cavalry regiment in Great Britain all of the cavalry regiments there have been mechanized. These are things which can easily be verified. There need be no conjecture about them. All you need to do is to check with experts and find out what the situation is; get the names of them and they can get the information for you. And now, we have had some talk about aircraft—

Mr. McGEER: Might I intervene? I find the discussion very interesting, but I point out to you, Mr. Chairman, that our reference is a reference to a contract among a great many others that we are dealing with as a Public Accounts committee. I do not think that this committee has any power to deal with the question of armaments. I may be wrong in that, but certainly in this phase of its inquiry we are dealing specifically with the Bren gun contract. While I think Colonel Drew should be given every latitude to deal with the things he has developed, he is before the committee on his motives. It does seem to me we are getting very far afield, Mr. Chairman, I think.

Mr. GREEN: I would like to point out that somewhere in the Davis report—I haven't had time to lay my hand on it—there is the statement that it is for parliament to decide or to make recommendations as to whether these armaments should be manufactured in private firms or in state arsenals; and it is probably far more important to the Canadian people as a whole than the Bren gun contract of itself, and I would suggest that Colonel Drew be allowed to go on and finish his statement.

The CHAIRMAN: I appreciate exceedingly the assistance that has been given me by the hon. member for Vancouver, because he acquiesces in what I had in mind. I just offered to become counsel on behalf of the witness.

[Lieut.-Col. George A. Drew, K.C.]



Mr. GREEN: I am quite sure your good judgment would bring you to the same conclusion.

The CHAIRMAN: Thank you very much for your reference to myself, Mr. Green. I know that Colonel Drew does not wish to be unreasonable at all, but I think the acceptance of his telegram to this committee rather gives him considerable scope in leading up to whatever he may wish to place on the record, and I am rather inclined to permit him to proceed with his evidence. I know he does not wish to go unnecessarily far afield on the matter.

Mr. GOLDING: He should not think at all that we do not think he is a practical politician, anybody who can take an hour and a half to develop a matter like this is a real practical politician.

Mr. FACTOR: I thought you told us that Colonel Drew had no preliminary statement to make?

The CHAIRMAN: I should have used the words, written preliminary statement.

Mr. SLAGHT: May I have a word? I think what the Colonel has treated us to is very interesting, and he makes many public addresses but there are times and places for the delivery of an address such as we have been treated to for the last hour and a quarter.

Some Hon. MEMBERS: Hear, hear.

Mr. SLAGHT: But after all this committee is here to deal with the particular contract in question and the article that was written criticizing it, and it does seem to me—perhaps if he assures us that he has only five or ten minutes more to go we could still stay outside the record—but it does seem to me time we got down to the business for which this committee was appointed.

Mr. GREEN: I have that reference now, it is on page 51.

The CHAIRMAN: I have it too.

Mr. GREEN: It says, "What is plain to me at the end of this long enquiry is this: That if the policy of private manufacture of war munitions and armaments is to be continued in this country (a question of administrative policy for the government and parliament to determine)"; besides that is the order of reference of February 13th: "Ordered, that the agreement between the government and the John Inglis company, of Toronto, for the manufacture of Bren machine guns, the report of the royal commission dealing with that agreement and all related documents, evidence, vouchers and exhibits, be referred to the standing committee on public accounts." I suggest that this evidence is directly concerned with the report of the royal commission dealing with the agreement.

Mr. McGEER: At what page is that?

Mr. GREEN: That is on page 51.

Hon. Mr. STEWART: Mr. Chairman, isn't there another aspect to this matter which perhaps does not come strictly within the four corners of the reference. As these proceedings have gone along the motives of Colonel Drew have been questioned and he is now giving in historical sequence his connection over a long period of time for the purpose, I think, of showing the sincerity of his motives and that what he alleges in the article is the result of a study and a line of action that he has taken consistently for a long period of years. As his motives have been questioned, as his honesty has been questioned, accused of being everything that is wrong—a liar and a traitor—now, surely, he has a right to answer on that basis and to lay his own foundations for making his answer. That is my opinion.

Mr. McGEER: I quite agree with that. The only thing that I suggest is that in view of the fact that his motives have been questioned with reference to a specific matter we should begin to deal with that. As I stated in my opening



remarks, I think Colonel Drew should be given every latitude, but, at the same time, I think that an hour and a quarter of generalities is pretty fair latitude.

Mr. GREEN: We put up with them for two hours from you, Mr. McGeer, this afternoon.

The CHAIRMAN: Gentlemen, I submit to the members of the committee, particularly the honourable Mr. Stewart, that I can only repeat what I said in reply to the honourable member for Vancouver, that we should permit the Colonel to proceed.

The WITNESS: Mr. Chairman, I appreciate that ruling very much, but in accepting it, and in accepting it with very real appreciation, I also want to point this out, that I am not here defending myself, not for a moment. I am here to answer a suggestion that a course which had been followed was designed to interfere with the re-armament of our forces.

Please do not think for a moment that I am here to answer the irresponsible statements that were made last week. The public will dispose of them. They answer themselves. I am here to answer a very much more important thing from the public point of view—the question of whether there is anything to support the suggestion that the question of armaments in this country is being interfered with by the course which has been followed.

Now, after all, the chairman, as he very courteously said, acted as my counsel in this matter in coming to the decision he did, but I want to point out that since I am here before you I do suggest that any evidence which I may give which might have some value to this committee, which is within the four corners of the reference to this committee, should be admissible, and that I should not be put in the position of merely giving that as a matter of courtesy.

One of the things that was specifically referred to this committee was the report of the royal commission and all cognate matters, and one of the things which the judge quite clearly set out as having been under consideration, and one which he said he would not dispose of but which should be referred to the house and therefore is obviously referred to this committee since the purpose of this committee, as I conceive it, is to bring to a small group the digesting of this whole matter—one of those things was that it should be left to the government to decide whether the private manufacture of arms or whether the public manufacture of arms was a wise course to follow.

Then there is another extremely important point that is before this committee and to which I suggest all my remarks have been directly referable in leading up to the situation. A good deal of attempt has been made to suggest that the judge in some way in this commission approved of this contract. Not at all. A good deal has been said about the fact that he found people not guilty. He neither found people not guilty nor guilty. What the judge found was very clearly that he was not going to comment upon the conduct of the individuals. He accepted the argument of counsel before him that there were limitations upon his power, and whether I agree with his decision in that or not, like Mr. McGeer, I have had occasion to disagree even with the most learned judges, and the fact remains that he came to the conclusion on the representations before him that it will be for those charged with the responsibility of dealing with the facts—that is, the government and parliament—to examine and study them and to take such action as any thereon as they may see fit. This was referable to the conduct of the individuals. The only finding that there was was a finding that, incidentally, you will find in accordance with my own contention; that there was no suggestion of corruption in these proceedings and never had been. I hear laughter which, of course, is for the purpose of bolstering up spirits; but the fact remains—

Mr. McGEER: Oh, now, Mr. Chairman. I should like to draw your attention to page 49 of the Commissioner's report, and I should like also to draw your attention to the fact that this committee has spent many long hours [Lieut.-Col. George A. Drew, K.C.]

with Mr. Fraser Elliott examining the contract clause by clause, almost line by line; examining witnesses who have been engaged in the fulfilment of the contract, and a very great deal of evidence has been submitted on the only question that was left with us, the substance of the contract. But at page 49 there is a very clear finding of approval of the contract. May I draw your attention to it:—

The contract is not for a fixed sum; it is on a cost-plus basis. It is admitted that we do not know how much the guns are going to cost. There are, of course, adequate powers of inspection, supervision and control vested in the department under the contract and with the estimates from Enfield of what the guns there are costing it should be possible to keep actual costs here well within bounds.

No substantial objection can be taken in my view to the provisions of the Canadian contract,...

Mr. MacNEIL: Go on.

Mr. McGEER: He goes on to say, as I read this afternoon:—

...though in the absence of any competitive bids or terms of manufacture I am unable to pass upon the substance as distinct from the form of the contract.

We have had Mr. Gillespie before us, we have had Mr. Jolley before us and we have had Mr. Fraser Elliott before us, all of whom have given evidence on the manner in which the contract is being fulfilled, and the results that will prove this substance of the contract. Now, it seems to me that we do not need to go over that again.

Mr. HOMUTH: I think Colonel Drew ought to be allowed to go ahead and make his statement, as other witnesses have been allowed to go on, and then be cross-examined afterwards.

The CHAIRMAN: I was just going to suggest the same thing to my honourable friend. I was just going to ask the committee to permit Colonel Drew to finish his statement. I know, as I said before, he is not going to overstep the bounds of consideration.

The WITNESS: But I want to deal with that particular point.

Mr. FACTOR: That is outside your statement. If you are going to deal with this it will tempt us to cross-examine you at once on it.

The WITNESS: I was just referring to Mr. McGeer's statement, and since he has pointed that out, after all, Mr. Factor, I believe that a committee of this kind, to which I am not completely a stranger in spite of the fact that I do not happen to be a member at Ottawa, but in a committee of this kind the rules are as closely as possible referable to ordinary court procedure, and in a case of that kind, if one person makes a statement which is inaccurate the other person has, I understand, ordinarily the right to at least explain what his position is on that point, and then pass on.

Mr. FACTOR: But you made the first inaccurate statement and Mr. McGeer corrected you.

The WITNESS: I made no inaccurate statement; I was referring to a point and Mr. McGeer interrupted me.

The CHAIRMAN: Gentlemen, if we continue along these lines, I am quite certain that members of the committee and the witness are going to get into controversies before the period of cross-examination. I think Colonel Drew realizes just what Mr. Factor said, and if he will stay away as far as possible from statements on controversial matters we will be able to get on.

The WITNESS: Mr. Chairman, might I explain exactly what I was doing? I was pointing out—and after all I am here in the position where I am the

only one that can point out my view—why I thought the matter I was explaining was referable to the committee. It was in the belief that it was referable that I have given you what after all Mr. Slaght has seen fit to describe as a speech or rambling remarks.

MR. SLAGHT: I said it was very interesting but that there was a time and place for it. Do not misquote me, please.

THE WITNESS: I was reading here remarks which are directly referable to the whole situation and which lead up to this and which I do not imagine any member in this room has previously heard because they have not been before this committee or the house or the inquiry.

MR. SLAGHT: Hire a hall and let us get through.

THE CHAIRMAN: Gentlemen, please let Colonel Drew proceed.

THE WITNESS: I was referring to the fact that there was a specific reference to the contract, and I was merely answering what Mr. McGeer has seen fit to point out, that in regard to this contract the judge found that he had nothing to do with the form of the contract, just as a man might find here was no objection to a contract taken out of some book of forms.

The report states:—

It is important, of course, that the contract be a good and business-like contract; but what is more important after all is whether the procedure adopted in making the contract was that best calculated to protect the public interest and to secure the confidence of the people of Canada that there would be no improper profiteering in the private manufacture of war armaments for the defence of the country.

I do not suggest anything could be wider. Then he goes on to say another thing which has a great deal to do with the broad picture which leads up to this and that is:—

What is obvious, of course, is this: That if the government has an article to be manufactured for which by its very nature it is not practical to call for tenders and the policy of private manufacture is to be adopted, then at once the heaviest sort of responsibility falls upon those charged with the duty of selecting the individual, firm or corporation to manufacture the article. The question is: Were proper and sufficient steps taken in this case to discharge that responsibility? Upon the whole evidence, that is a question for the government and parliament to pass upon.

Now, it seems to me that the whole broad question of how this country is to deal with armaments is before you in the wide scope of that reference. It was for that reason and in the hope that this committee is going to produce something that may be of benefit to everybody in regard to the approach to this problem of armament production that for what it is worth I was seeking to give you an explanation of what has taken place.

It has been suggested that I have taken this amount of time to talk about myself. I have simply taken a certain amount of time to explain to you statements upon which the militia of this country through their official representatives acted, and whether they were my words or anybody else's words is apart from the point. Those were the words upon which they did act, and when I am describing the situation in regard to armaments, I am only explaining that for the purpose of trying to give the broad picture, and I was going to go beyond that and offer my suggestion as to the way that, consistent with the recommendations that have been made by the militia, something could be done. I am speaking in that capacity as a militia officer, and I do suggest that it is not unreasonable that a militia officer, if he wants to express a view, has a right to do so.

I was speaking about aircraft and the production of aircraft, and the chairman has ruled that I may go on. I only give these facts and figures to emphasize [Lieut.-Col. George A. Drew, K.C.]



the urgent need of producing these and of approaching the problem on a basis that will get all these things done.

The statement has been made that we have some thirty odd first line fighting aircraft in Canada in spite of the fact that the need would be in hundreds if we were on the same basis as the European need. Again I only give this fact to point out the necessity of facing realities. We have not thirty-five fighting aircraft in Canada or anything like it, and we should recognize that and act accordingly. We have at the present time five fighting aircraft in Canada that could be classed as modern fighters. They are five Hawker Hurricanes. Now, they are the names; there is no difficulty about checking them up. The only other fighters in Canada are Sopwith Siskins which were obsolete long ago, and included in that figure which has been given are 21 Wapitis. The name is not difficult to check and these machines have top speed of 145 to 150 miles an hour, and would have to get out of the way of the Trans-Canada air machines if they happened to be in their line of flight because they are 100 miles an hour slower than our commercial machines.

I suggest that this whole broad problem has reached a point where it is in the interests of everyone that something be done to meet this situation, something more than, if you like, just trying to argue one way or another, or whether somebody was a liar or whether somebody said something that was wrong or otherwise.

We have in Canada, in my belief, as competent manufacturers as there are anywhere in the world. We have in Canada men in the steel industry who have had experience in the production of fine steel, and we have in this country men who have turned out artillery shells, not men who remember they were turned out, but men who have turned out artillery shells that were recognized as the finest shells produced in the British empire.

Now, it does seem to me that if we are going to approach this problem of getting equipment for the defence forces of Canada, that the logical thing to do would be to approach it in order to know something about the particular subject in question.

Now, in the case of the Bren gun you have the evidence, and there is no need to elaborate on it, that no steel manufacturer, that no man skilled in the production of fine steel, was consulted by those responsible for entering into this contract before the contract was signed. I suggest that is not the way that we are likely to get the best results and I do suggest this, that the way it would seem that we likely would get the best results in a thing that is very well within the scope of the powers of this committee, is to recommend something that others have been arguing, and I have argued incidentally as well, if you take offence at that fact, that people have been arguing for some considerable time, and that is that we bring together the highly skilled steel manufacturers of this country; that we bring together men who have had experience in making the things that we need, and that they sit around in discussion with the general staff, with trained soldiers who know what we need, and that one by one they face the problems and decide how best they can be met. I suggest that under the terms of your reference here it is definitely for this committee to make a recommendation in regard to the clearly expressed public opinion on that matter, pro and con, and it is for this committee to make some recommendation as to whether or not the primary weapons of war, the killing weapons, and they alone, should be manufactured in a government arsenal, or government arsenals in the plural, and also the method and plan of control of the manufacture of other equipment.

We have in this country heavy steel producers capable of producing as fine steel as there is in the world, companies, for instance, like the Algoma Steel Company, which has recently in competition with industries in England and the other great steel countries, Germany as well, got big contracts in South Africa because they were able to meet the fine requirements demanded there.

We have other heavy steel companies of that type; we have great producers in this country of steel tools which go into the munitions production, and are just as important; and then we have skilled producers of all the finer things that are needed.

Now, gentlemen, would it not be the thing that any businessman would do who is facing this problem, to bring together the men who know what our needs are and the men who by their experience are capable of producing these needs? Put on the one side of the table, if you will, our general staff, and on the other side of the table those steel producers who do know how to make things of steel; and then start right at the foot of the ladder and say, if you like, the recommendation of the general staff is that we need 250,000 rifles in Canada; *the rifles we have are obsolete*. How are they going to be produced? Well, you have the list of steel manufacturers there. We have, incidentally, one rifle manufacturer in Canada who is making excellent rifles and knows a great deal about the manufacture of rifles, and he was not consulted in regard to this particular matter. But consult all the steel people; go to the the different steel people. One fellow would probably say, I can make a breechblock; another fellow would say I can make this or that, and another may say, go ahead with the government arsenal plant. But you would have the contention one way or the other of the men who actually knew how to produce.

And then, coming to the Bren gun itself, if you could deal with that in the same way; and if the steel manufacturers of Canada collected together are prepared to say that Major Hahn is the best qualified in Canada, the best qualified man in Canada to manufacture Bren guns, then I would abide by that decision, but I also say I would eat my shirt if the decision were made. There are steel manufacturers here who know exactly how steel things can be made. Let them decide and then you come to your artillery equipment. Let the men who know and who have made things of that kind decide on the artillery equipment, and go right through the whole list.

Now, gentlemen, if that is done, and if you bring these people together, and have their recommendations after you bring them together, well, then, you have produced something that will actually give this country some hope of a successful result. But in doing that I do suggest this, that no matter what suggestion has been made on a single contract, that it should not be forgotten that every recommendation of the general staff on record so far as inquiry is concerned has been in favour of a government arsenal for the production of equipment, every one. Every recommendation of the general staff, and you will find from the record here that the opinion is divided as between the opinion of one group, General LaFleche and General Caldwell, and the general staff as a whole. Now, General Caldwell was a member of the general staff. I believe he is not now. General LaFleche is ex officio there, but is not a member of the general staff in the sense that it is his appointment in the department. Bring these men together; recommend that they be brought together, rather, and work out some plan, and gentlemen, I am convinced that Canadian industrialists, regardless of their political leanings, brought together on that basis and asked to form their opinions with the knowledge given to them by the general staff, would work out a plan that this country should be proud of, and we would be under way in a very short time.

Now, some talk has been made about the length of time that this has been going on. Really, in relation to that length, it seems to me the remarks I have made have taken up a comparatively short time. If that is done, if that specific recommendation is made, you will have reached something that will draw to a definite conclusion.

I am going to refer now to the point in the report that has been brought up here about the private manufacture of arms.

Mr. GOLDING: Mr. Chairman, just before Colonel Drew does that, may I ask Colonel Drew this question?

[Lieut.-Col. George A. Drew, K.C.]



*By Mr. Golding:*

Q. Have you visited this plant at all and seen the progress that is being made?—A. I did not receive an invitation, no.

Q. Did you see the progress that has been made?—A. I am not questioning that. As a matter of fact, this plant is a plant—

Q. Have you seen Gillespie's evidence?—A. I have seen Mr. Gillespie's evidence and I have seen Mr. Gillespie.

Q. Why speak so disparagingly of this thing? It is quite evident that they are making progress.

Mr. HOMUTH: He did not say anything disparagingly.

Mr. GOLDING: That is your opinion.

The WITNESS: You have raised the objection in a very courteous way and I am anxious to answer in that way. I do not know at just what point you say I cast any disparagement on the plant as it now exists.

*By Mr. Golding:*

Q. And Major Hahn.—A. No. What I said was this. I said that if the skilled steel manufacturers of Canada were called together and would say that Major Hahn is the best qualified man in Canada to make Bren guns, that I would abide by that decision because I rely on our skilled steel manufacturers. I also made the facetious remark that I would eat my shirt if they did, and I will.

Q. Let us follow that up now. Suppose the steel men sat around this table, who would they be, Colonel?—A. Men who have been manufacturing.

Q. Heads of the business?—A. No, I would imagine the men who have been actually the technicians, the experts.

Q. You would find that the heads of the concerns would be the men. You would not find any expert mechanics there. Now, I had forty years of experience in this line of work. I was amazed at the progress that has been made in that shop, and I have visited it and have seen what has been going on. I just won't sit here and hear you speak disparagingly of the progress that has been made.—A. I have not.

Q. You just have.—A. No, I beg your pardon.

Q. In my opinion you definitely have. Your insinuations are just the same as in this article.—A. No, they were—

Q. Colonel Drew, you know they are.—A. I have made no insinuations.

Q. What is the use of kidding yourself and trying to kid everybody else?—A. You cannot put words into my mouth.

Q. We know what you said.—A. What I said was this: I have not received an invitation to this plant. But what I am talking about is the question of—

Q. You spoke of Major Hahn and you said you would eat your shirt if somebody did not agree that he should be.—A. I think probably you have expressed yourself in language of that kind as well.

Q. We followed this thing up.—A. Let me repeat what I said. I cannot discuss with you while Major Hahn is telling you anything. What I said was this, that I thought that the solution to this whole broad problem was to bring together the skilled steel manufacturers, men who know about steel, and in that we have ways of getting men, the technicians who know how to do this.

Q. We made shells ourselves. For four years I was shop foreman in this shop setting up machines and everything else, and have worked at it all my life. It makes me tired to hear a fellow like you talking who never did a day's work on a machine in his life.—A. That has nothing—I was not talking about this plant, and if you go through the record you will find—

Q. You were just talking about something you do not know anything about.



Mr. HOMUTH: Eleven o'clock.

Mr. McGEER: Let us get through with this thing.

Mr. SLAGHT: Unless the Colonel is tired, let us have him carry on.

Mr. HOMUTH: We have been around here since half past eight this morning.

Mr. FACTOR: You have not done a thing all day, you have just been sitting here.

Mr. SLAGHT: Let us stay a little longer

The CHAIRMAN: The Colonel would like to finish. He says it will only take him a few minutes. He will finish his statement and then he will be through.

Mr. SLAGHT: If he wants to adjourn, let him do so. He is the one that is carrying the load of this evening. If the Colonel does not want to adjourn, let us get on and finish.

The CHAIRMAN: The Colonel could finish in a few minutes.

Mr. GLEN: If he wants to finish let him finish.

The WITNESS: I have returned to that recommendation which I think is a definite one, and I also return to the fact that in your discussion of the subject of the private manufacture of arms, it is one of the things which was specifically referred by the judge to the house, and consequently comes back to this committee. I strongly urge that this committee should accept the recommendation of the general staff, that so far as weapons are concerned, they shall be manufactured in a government arsenal; and that in so far as the rest is concerned, that you consult expert advice for that purpose. That is the finish of my statement.

Mr. McGEER: Before we adjourn, there seems to me one or two questions I should like to draw to the Colonel's attention.

Mr. MacNEIL: It is eleven o'clock.

*By Mr. McGeer:*

Q. You said in your statement, Colonel Drew—and I think it should be corrected to-night—that no one was consulted in connection with the Bren gun who knew anything, from experience, about the production of that type of weapon?—A. I said no steel manufacturer in Canada was consulted.

Q. No steel men in Canada were consulted. But, as a matter of fact, you know from the evidence that was given before the Davis commission and the evidence that has been given before this committee, that the entire set up of the Bren gun manufacturing plant in Canada has been under the advice and guidance of men who are setting up the production of the Bren gun plant in England for the British war ministry, do you not?—A. No. And your statement is not correct. Your statement is quite incorrect.

Q. All right. The evidence—

The WITNESS: Mr. Chairman, are you going on with this?

Mr. McGEER: Yes, we are going with this.

Mr. HOMUTH: Just a minute.

The WITNESS: Just a minute, now. This is a statement; it is not a question.

Mr. HOMUTH: Col. Drew was going to finish and we were going to adjourn and go on with cross-examination or examination to-morrow. If he has finished, then I suggest that we ought to adjourn.

Mr. McGEER: Of course, that is always a matter for the committee to consider. But it is not within the province of Col. Drew to answer a member of the committee that it is time to adjourn.

The WITNESS: I did not say it was time to adjourn.

[Lieut.-Col. George A. Drew, K.C.]

Mr. McGEER: This committee will adjourn when the majority of this committee decide to adjourn.

Mr. GREEN: He did not say it was time to adjourn.

Mr. FACTOR: That is what he said.

Mr. McGEER: When I am questioning this witness, unless it becomes the decision of the committee to adjourn, I want my questions answered while the committee is in session.

The CHAIRMAN: Go ahead with your question.

The WITNESS: All right, go ahead.

Mr. BROWN: I move that we adjourn, then. That was the understanding.

Mr. MACNEIL: That is seconded.

Mr. McGEER: If there is any motion to adjourn, that is a different thing.

The CHAIRMAN: Gentlemen, there is a motion before the chair.

Mr. McGEER: I think we should have this question answered before we adjourn.

The CHAIRMAN: There is a motion for adjournment.

Mr. MACNEIL: And it is not debatable.

The CHAIRMAN: Is it the wish of the committee to adjourn?

Some hon. MEMBERS: No.

An hon. MEMBER: Carried.

Mr. GREEN: Mr. Chairman, we have got along fairly well in this committee so far, although there has been quite a lot of chat back and forth. I think we should have a clear understanding now as to what we are going to do.

Mr. McGEER: I do not think there can be any question about that.

Mr. GREEN: Are we to be arbitrarily held here after the house has risen?

Mr. MACNEIL: On a point of order, I may say that the rules of the house apply to committees; and this committee can only continue after eleven o'clock by unanimous consent.

Mr. McGEER: There is no such rule. This committee can sit any time and adjourn whenever it likes.

The CHAIRMAN: Gentlemen, there are two or three points of contingency that have arisen since Mr. McGeer got on his feet, which have some bearing on this. I think, in fairness, if the committee will permit Mr. McGeer to continue until he gets an answer to his question to the witness, that will clear the matter up and then we can adjourn. These gentlemen who are here from Maclean's want to catch a train and I am quite sure that Mr. McGeer will try to consult their convenience.

The WITNESS: I just want to say, Mr. Chairman, in order to make it perfectly clear, that I did not say it was time to adjourn. I asked you if we were going to adjourn because of the fact that you very courteously had said to me, and I accepted in the way it was said, "Would it be all right to go on until eleven o'clock?" because you knew there were some people leaving. That is why I asked you if you were or were not going to adjourn. I did not say it was time to adjourn.

The CHAIRMAN: That was one of the contingencies I referred to.

The WITNESS: I am quite prepared to answer the question.

The CHAIRMAN: Ask your question, Mr. McGeer.

*By Mr. McGeer:*

Q. Are you aware that the evidence before this committee and the evidence before the Davis inquiry indicated that Major Hahn went to England and came back with a report compiled in association with the people in charge of the Royal

Small Arms Company at Enfield?—A. I know that he came back with a report which he prepared after visiting the Royal Small Arms Plant at Enfield.

Q. And after securing this information from the experts there?—A. He gave the evidence that he had been given access to the small arms plant and he presented his report, which is one of the exhibits, based on that visit.

Q. Yes. Do you say then that he did not have access to the expert advice of the Enfield plant in England?—A. I did not suggest it.

Q. Do you know that, as a matter of fact, the men who are engaged in setting up the plant were sent over to Enfield?—A. I know more than that. I know that they were sent to Enfield and also sent to Czechoslovakia at the expense of the Canadian people in order to learn how to do it.

Q. And in addition to that, that Lieut. Jolley, who is one of the technical men in the Ordnance Department of the Department of National Defence, also went to Enfield?—A. Yes. And I would refer you to the judge's report in regard to Lieut. Jolley—a very estimable young man with practically no experience in ordnance work.

The CHAIRMAN: We are going to get into a controversy.

Mr. McGEER: I am going to be through in just a minute.

Mr. GREEN: Well, Mr. Chairman, it is just one question and then it is a dozen. It is the same old story.

The CHAIRMAN: We are going to get in a controversy here in a minute, Mr. McGeer.

Mr. McGEER: Well, Mr. Chairman, I have no desire to prolong the meeting beyond your wishes; but it seemed to me we might have cleaned that matter up and started in the morning on something else. If you wish to do it that way, all right.

The CHAIRMAN: We will adjourn until 11.15 tomorrow.

Mr. McPHEE: Before we adjourn, might I ask if it is not possible to get the railway committee room. To say the least, it is inhuman to ask men to sit in a room like this all day.

Mr. HOMUTH: If it is not going to interfere with the hearing in the room, I would suggest that we get a couple of fans put up. It is terrible down here when the windows are blocked by spectators.

The committee adjourned at 11.10 p.m., to meet again on Wednesday, May 31st, at 11.15 a.m.



Mr. Doe  
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SESSION 1939  
(HOUSE OF COMMONS)

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STANDING COMMITTEE  
ON  
**PUBLIC ACCOUNTS**

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MINUTES OF PROCEEDINGS AND EVIDENCE  
RESPECTING

**THE BREN MACHINE GUN**  
AND OTHER ARMAMENT CONTRACTS

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No. 26

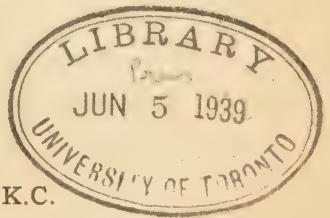
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WEDNESDAY, MAY 31, 1939

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WITNESS:

Lieut-Colonel George A. Drew, K.C.



OTTAWA  
J. O. PATENAUDE, I.S.O.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1939



## MINUTES OF PROCEEDINGS

WEDNESDAY, May 31, 1939.

The Standing Committee on Public Accounts met at 11.15 o'clock a.m., the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Beaubien, Bercovitch, Bertrand (*Laurier*), Black (*Chateauguay-Huntingdon*), Blanchette, Brown, Douglas (*Weyburn*), Factor, Fournier (*Maisonneuve-Rosemount*), Francoeur, Fraser, Glen, Golding, Goulet, Green Heon, Homuth, Isnor, Leader, McCann, McDonald (*Pontiac*), McGeer, McKinnon (*Kenora-Rainy River*), McLean (*Melfort*), McPhee, Marshall, Patterson, Purdy, Rickard, Slaght, Taylor (*Norfolk*), Thauvette, Tremblay, Wood.

*In attendance:* Lieut.-Colonel George A. Drew, K.C.

Examination of Colonel Drew was continued.

At 1.05 o'clock p.m. the Committee adjourned until 2.30 o'clock p.m. this day.

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### AFTERNOON SITTING

The Committee resumed at 2.30 o'clock p.m., the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Beaubien, Bercovitch, Bertrand (*Laurier*), Black (*Chateauguay-Huntingdon*), Brooks, Brown, Douglas (*Weyburn*), Dupuis, Factor, Fournier (*Maisonneuve-Rosemount*), Fraser, Glen, Golding, Goulet, Grant, Green, Homuth, Leader, MacInnis, MacNeil, McCann, McDonald (*Pontiac*), McGeer, McKinnon (*Kenora-Rainy River*), McLean, (*Melfort*), McPhee, Marshall, Patterson, Purdy, Rickard, Slaght, Stewart, Taylor (*Norfolk*), Thauvette, Tremblay.

*In attendance:* Lieut.-Colonel Drew.

Examination of Colonel Drew was continued.

Moved by Mr. Homuth:

That the letter from the War Office, dated November 7, 1938, read by Mr. McGeer, be deleted from the record until the original has been proved.

The question being put, it was resolved in the negative on the following recorded division:

*Yeas:*—Messrs. Brooks, Brown, Douglas (*Weyburn*), Green, Homuth, MacNeil, Marshall—7.

*Nays:*—Messrs. Ahearn, Bercovitch, Dupuis, Factor, Fournier (*Maisonneuve-Rosemount*), Golding, McCann, McDonald (*Pontiac*), McGeer, McPhee, Patterson, Purdy, Rickard, Taylor (*Norfolk*)—14.

On motion of Mr. Bercovitch, the Committee adjourned until Thursday, June 1, at 11.15 o'clock a.m.

A. L. BURGESS,  
*Clerk of the Committee.*





## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 31, 1939.

The Standing Committee on Public Accounts met at 11.15 a.m. The Chairman, Mr. W. A. Fraser, presided.

Colonel GEORGE A. DREW, recalled.

The CHAIRMAN: Gentlemen, if you will come to order, we have a quorum and we will proceed with the present witness.

Do any members of the committee wish to proceed with the examination of this witness?

*By Mr. McGeer:*

Q. Colonel Drew, if you recall, last evening at the close I mentioned something of the Bren gun being set up under the supervision of the officials in charge of the Enfield plant which is part of the royal arms set-up of the British War Office and you said to me, yes, and that you also knew that men had gone from Canada to Czechoslovakia at the expense of the Canadian government?—A. That is not my answer, and that is not the answer to the question you asked. If you read the question and my answer I will be very glad to elucidate, if you desire.

Q. Did you say anything about men going to Czechoslovakia at the expense of the government?—A. Yes, Mr. Ainsworth and Mr. McLachlan went over there, went to Czechoslovakia, and their bill—whether it has been paid or not—was rendered to the government for payment.

Q. Where did you get that information?—A. During the inquiry before Mr. Justice Davis.

Q. Well, my instructions are—A. In fact, \$4,000 was allocated for that purpose. As a matter of fact there were some others for whom permission was asked at the same time. It is one of the exhibits in this record.

Q. You can't name the exhibit off hand?—A. I could easily get it for you during the noon hour. Because I have a record of the exhibits here.

Q. And you are quite satisfied in your own mind that Mr. Ainsworth and Mr. McLachlan on behalf of the John Inglis Company Limited did go to Czechoslovakia?—A. Oh no, I cannot say that; all I know of it is that permission was asked for them; I do not know whether or not they went there.

Q. Well now, let us get just what you said, because I have I must confess some difficulty in following you.—A. Perhaps I could amplify the answer for you. Mr. Ainsworth and Mr. McLachlan were over there through special arrangements that were made, permission was secured for them to go to the Enfield plant while they were in London.

The CHAIRMAN: I would ask the witness not to try to make a speech this morning, just to wait for the question.

The WITNESS: I was trying to be helpful, that is all.

*By Mr. McGeer:*

Q. Now, I want to put the question to you, because I did not think my memory had gone astray on so important a matter as that, Colonel Drew.—A. Yes.

Q. Let me read your answer on page JJJ-5—

Mr. HOMUTH: Read the question as well.

Mr. McGEER: Yes, I will read the question and the answer while I am at it.

*By Mr. McGeer:*

Q. Do you know that, as a matter of fact, the men who are engaged in setting up the plant were sent over to Enfield?—A. I know more than that. I know that they were sent to Enfield and also sent to Czechoslovakia at the expense of the Canadian people in order to learn how to do it.

A. Quite.

Q. Now, I want to put you in this situation—A. Just a minute.

Q. Just a moment, if you don't mind, I want to put to you this situation because I want to be fair to you.—A. I think you do, and I want to point out that the question that you asked of me and the question you now read are not the same questions. You said when you started this morning, you know that this plant is being prepared under the supervision of experts from Enfield, and that they went over there, went from there to Czechoslovakia; their employees of the plant here, a very different thing.

Q. What I want to put to you is this; while it was very interesting to listen to your statement last night, your situation is this, that the Deputy Minister of National Defence has accused you of lying, and has accused you of launching through lies an attack upon the Department of National Defence which has impeded and frustrated the defence of Canada; and in addition to that he has said that that kind of an attack which you are launching was traitorous, and used even stronger language that it was tantamount to selling out the defences of Canada. Now, when you come here to face the charge don't you think you should have been more careful about the statement you have made to this committee?—A. I did not come here to face a charge at all, I joined in a request to appear before this committee.

Q. Did you read the telegram?—A. I am not facing any charges.

Q. I suppose they are going to have another shift.—A. No, we are not going to have a shift at all.

Mr. FACTOR: Another speech.

*By Mr. McGeer:*

Q. No, another shift from the fact that you charged LaFleche with perjury on behalf of Maclean's.—A. Let me make it quite clear I did not charge him with perjury, and I would ask you to ask your questions on the basis of facts.

Q. We will deal with it on the basis of facts, and you are going to answer on the basis of fact.—A. I will answer the question.

Q. Here is the telegram, and I want to draw it to the attention of members of the committee:—

May 25th, 1939.

W. A. FRASER, Chairman,  
Public Accounts Committee,  
Ottawa, Ontario.

As motives of the author and also publisher of article on Bren gun contract which appeared in Maclean's magazine have been called in question and misrepresented in evidence before your committee I request opportunity to be heard by your committee as to circumstances leading up to publication of article in question. Colonel Drew also requests as author of article opportunity of giving evidence on the same matter.

HORACE T. HUNTER, *President*,  
THE MACLEAN PUBLISHING CO.

[Lieut.-Col. George A. Drew, K.C.]



Mr. BROOKS: Hear, hear.

The WITNESS: That is correct.

*By Mr. McGeer:*

Q. You know, Colonel Drew, I am afraid that your difficulty is that you do not quite appreciate the significance of saying to me last night in answer to this question which you didn't let me finish—

Q. Do you know that, as a matter of fact, the men who are engaged in setting up the plant were sent over to Enfield?—A. I know more than that. I know that they were sent to Enfield and also sent to Czechoslovakia at the expense of the Canadian people in order to learn how to do it.

A. Yes.

Q. Now, where did you get that information?—A. I have that information now and I shall be very glad to give it to you.

Q. All right?—A. If you will refer to pages 246 and 247 of the original documents forwarded from Canada House you will find there the original letter from General LaFleche to Colonel Vanier, dated 3rd of May, 1938 asking that arrangements be made for Mr. Ainsworth and Mr. McLachlan and I think Mr. Gazey to go to England. It also requested close co-operation and asked that Canada House arrange for communications to be exchanged in code via naval radio to National Defence headquarters. Then there is subsequent correspondence in relation to this matter in the Canada House file. They are marked without regard to the submission of the documents, but in consecutive pages, and that is the way they have been numbered.

Q. What is the exhibit?—A. They did not mark them as an exhibit in the Canada House file, each page is dealt with separately and it is numbered quite apart from the ordinary exhibits, and you will find that one of the documents, page 287, or exhibit 287 in the Canada House file, is a memorandum to the effect that Major Hahn proposes a visit of Ainsworth and McLachlan to Czechoslovakia.

Q. Is that all?—A. I am only giving you a summary. The details are there at the point I mention.

Q. Is that all the information you had upon which to base your answer to me last night?—A. No, I told you where it can be found.

Q. I want it all, what else have you?—A. They were amongst the men who were discussed. The method that was adopted was this; there is a special form on which a request is made for payment of an account, and there is a form there which apparently asks that authority be given for the payment of the expenses of Messrs. Ainsworth, McLachlan and Gazey to go to Czechoslovakia.

Q. Is there anything else?—A. That bears out the statement I have made.

Q. Was there anything else, I said?—A. A great deal else.

Q. Well, what else?—A. There is the correspondence set out in the Canada House file furnishing the details as to how they are to go, what they are to get, and the information they are to obtain over there. It was quite definitely for the purpose that they might obtain information both on the operation of the plant at Brno in Czechoslovakia as well as at Enfield, and obtain that information for the purpose of bringing it back here and carrying on, and at least two of these men are directors of the company and were connected with it in their official capacity.

Q. Was there anything else? You see, what you have said to me is this, and I want to be perfectly fair with you here, because this is not something that I have developed, it is your own proposition to this committee and it was a smart answer to me of yours:—

A. I know more than that. I know that they were sent to Enfield and also sent to Czechoslovakia at the expense of the Canadian people in order to learn how to do it.

Now, how do you know; and mind you get the significance of your answer for newspaper purposes, because I want to read the question to you again?—A. I am listening.

Q. Do you know that, as a matter of fact, the men who are engaged in setting up the plant were sent over to Enfield?

Now, there are a great number of men engaged in setting up the plant who have been sent to Enfield; there is McLachlan, there is Ainsworth, and there are I think seven or eight other key men, they are the men referred to; and your answer to me was, "I know more than that. I know that these men (because that is what I asked you) were sent to Czechoslovakia at the expense of the Canadian people." I say to you now that not one single man engaged in setting up the Inglis plant ever went to Czechoslovakia, and not one dollar of expense was incurred by the Canadian people in sending a single individual to Czechoslovakia, and yet right in this committee— —A. Where is that in evidence?

Q. I am going to call Major Hahn, Captain Jolley and the Deputy Minister of National Defence to prove that fact, and I am giving you warning of it now.—A. You are not giving me warning. What I told you was, and I have referred to the exact place, that request was made for payment for these men; and so far as I know they have gone through in the usual way, assuming that they carried out these instructions. These men were in England and we were told they were going to Czechoslovakia.

Mr. McGEER: Some members of the committee—

Mr. DOUGLAS: Where is there any evidence to the contrary?

Mr. GREEN: I would rise to a point of order.

The CHAIRMAN: I ask the hon. member to take his seat.

Mr. GREEN: I have a right to raise a point of order.

Mr. BROOKS: We are not going to have dictators running this committee.

The CHAIRMAN: You have not had a dictator.

Mr. GREEN: You have been pretty fair so far.

The CHAIRMAN: I intend to be fair.

Mr. GREEN: Yesterday I had my doubts, but I do ask you just to be fair now, I have great confidence in you and I realize that certain things are necessary with respect to carrying on the proceedings of this committee, but I have the right to raise the point of order, and you know that very well. My point is simply this, when this witness or any other witness is asked a question he should be given the right to reply, he should not be interrupted the minute he says something that a certain group in this committee do not like, or by a lot of cat-calls from the back benches.

Some Hon. MEMBERS: Order, order.

Mr. McLEAN: Mr. Chairman, on a point of order; I object to any slur being laid on me by my hon. friend—

Mr. MacNEIL: Order, order.

Mr. McLEAN: —calling any of us back-benchers in this committee, like my preacher friend from Weyburn did the other day when he said, no small town back-bencher should be allowed to speak in this committee; that is what he had to say.

Mr. McGEER: I must rise to a point of order, nobody in this committee can call Vancouver a small town.

Mr. BERCOVITCH: Let's get on.

[Lieut.-Col. George A. Drew, K.C.]

Mr. GREEN: Well, I will take back what I said. What I do point out is this, it is only fair that the witness should be allowed to complete his answer; that he should not be drowned out either by further questions from the member who is examining him, or by shouts from the audience. I know you realize that is only fair, but I would ask that the rule be followed in this committee this morning.

Mr. McGEER: I quite agree with you. We don't have any disputes. I quite agree with my friend; but I will submit that he should assist me in protesting the reputation of our city, and I think if there are any more references to it as a small town we should be united.

Mr. MACNEIL: Hear, hear.

Mr. McGEER: I think if there is any more of that kind of stuff, that sort of misrepresentation, we will call Mr. MacNeil to our aid.

The CHAIRMAN: Before you proceed I would just like to answer my hon. friend from Vancouver North (Mr. Green) in this way; I quite appreciate the point he raised in connection with fairness, and I intend to continue to conduct this committee in fairness to everybody. Last night this witness had the opportunity for two hours without interruption to cover the realm of defense within the British Empire. He made a first class political speech and I have not interfered with him.

The WITNESS: Mr. Chairman, I don't think that is exactly fair.

The CHAIRMAN: I have tried to be fair.

Mr. BROOKS: That is hardly a fair statement, coming from the chairman. We have had Mr. McGeer making political speeches for the last six weeks and you have said nothing about it.

The CHAIRMAN: I have tried to give everybody an equal opportunity. I have permitted everyone around this table to make political speeches.

Mr. HCMUTH: Why did you start to be unfair with this witness?

The CHAIRMAN: I am not unfair to this witness, he had every opportunity to make his statement last night.

Mr. SLAGHT: Let us get on.

The CHAIRMAN: And I insisted on everybody else being fair with him. I intend to continue that, and I hope that you will give me your co-operation in carrying on the business of a committee of this kind in a manner in which it should be conducted.

*By Mr. McGeer:*

Q. I do not want to go any further with this than to make it perfectly clear to you Colonel Drew, "I know more than that. I know that they were sent to Enfield and also sent to Czechoslovakia at the expense of the Canadian people in order to learn how to do it." Now, you have given me all the information that you have upon which to base that statement?—A. I have explained that in the original documents in the Canada House file, and I have given you the documents, there is first of all an authorization that these men proceed. They then arrived in England, and then there is documentation on the record to show that they were given the opportunity of communicating by naval code, and then authorization was granted while they were in England to proceed to Czechoslovakia, and amongst the accounts rendered in connection with supervision was one for a demand—perhaps I should better call it an authorization that they might incur the expense, and that if they made the trip the usual vouchers would be submitted and the account would be paid by the government, and as I understand it that means the Canadian people, from the point of view of payment.



Q. Now, you say there was an account rendered for the payment of the expenses, of who?—A. Well, of McLachlan and Ainsworth at any rate.

Q. And the account was rendered by whom?—A. By the company. Now, the method—actually at the time of the inquiry there were a number of accounts which it was explained on account of the situation which then existed had not been paid; but it is put through in the form I suppose of what you would probably call a demand voucher for payment, and there were some requests in that way for that purpose.

Q. Now, a sum was requested by the John Inglis company?—A. That is my recollection, yes.

Q. From whom?—A. It would go to the government. If you would like to give me the opportunity now or later I could look that up for you.

Q. You can probably check it over at noon?—A. We can do that.

Q. Let me get it right, because I want to check it myself; an account was rendered by the John Inglis company for the expenses of Ainsworth and McLachlan for a trip to Czechoslovakia?—A. I am not giving you the details of what the wording was. There was a request for authorization for permission, and I have given you the records of the Canada House file to show what the file included. As for other details, I can easily amplify that if you want me to do so.

Q. I know, but when you made the statement last night I want you to tell me what you knew last night, upon what you made that statement?—A. Exactly.

Q. Not what you can find out to-morrow?—A. Exactly what I told you.

Q. Well then, this account which you say was rendered; that is the thing that I am interested in, you have now told me that there was an account rendered?—A. I have explained, it is in the form of a demand voucher, it is a demand put through on a special form which apparently works out between the department and this company; it is not put through in the form of presenting an account, it is put through on a somewhat military basis you might say, and it is more in the form of what is commonly known as a demand voucher.

Q. Was it for moneys that the John Inglis company had expended?—A. No, they were by that authorized for that purpose.

Q. I see, so that you then made the statement because you saw the record of a request for money for that purpose?—A. Nothing had been paid at that time.

Q. Nothing had been paid at that time?—A. As I said a moment ago, there were a number of accounts outstanding at that time, I imagine most of those were outstanding at that time because the department were checking over those accounts.

Q. What I understand you to say is that a request for money to be authorized for the payment of this trip was made; is that correct?—A. Yes.

Q. Now, did you see anything more than that?—A. No. There was no record at the time of the inquiry as to whether or not payment was made. Under the contract, of course, travelling expenses as authorized would be paid by the government.

Q. Yes, but all the information you had last night was to the effect that a request had been made for the authorization of the incurring of the expense of sending somebody to Czechoslovakia; is that right?—A. That was, so far as the money account was concerned, yes.

Q. Yes. Did you have any information that such an expenditure had been authorized by the Department of National Defence?—A. Yes, there is correspondence to which I have referred in the Canada House file authorizing this trip; but what I am pointing out is this that under the contract expense accounts for travelling in connection with the fulfilment of this contract are payable by the government to the company, to the John Inglis company; and arrangements were made through the department for these men to go to England in connection

with this, and then having gone there further steps were taken to authorize them to go to Czechoslovakia, and that was explained on the documents which are on record in the Canada House file.

Q. Then we have got to this point, that you did know that as far as McLachlan and Ainsworth were concerned—the men engaged in setting up the John Inglis plant—that a request had been made to occur the expense of sending them to Czechoslovakia and that in the correspondence the incurring of that expense had been authorized by the Department of National Defence?—A. No. Let us get it quite clearly. What I said was this, that the request was made to authorize payment for the trip. I do not believe in the first instance that any mention was made of Czechoslovakia. You will find in the Canada House file that the trip first mentioned was one to the Enfield plant, a perfectly logical course. Then apparently, as the men requested, while they were there—that is, in England at the Enfield plant—further steps were taken to authorize their going to Czechoslovakia—a perfectly logical course—to the Brno Plant which was the parent company manufacturing the Bren gun.

Q. I take it they got to England. Then the incurring of the expense to send McLachlan and Ainsworth to Czechoslovakia—the authorization of that expense was requested, is that right?—A. I do not know that there was any formal separate request for payment to Czechoslovakia, no. I know there was a request for authorization to go there; and under the terms of the contract it is perfectly clear that if they were authorized to go there, the account would be payable to the company for that trip. I mean, let us put it this way: Eliminating entirely any request for money at all, if the government authorized the trip for these men to go there for the purpose of getting information at Enfield and subsequently at Brno that under the contract, would be a payment due by the government to the company, quite clearly. There is no question about that.

Q. I do not quite agree with you in your interpretation of the contract—  
A. Well—

Q.—because I think you will find that the travelling expenses have got to be approved, sanctioned and concurred in by the departmental officials before anything is payable. But quite apart from that, what I want to know from you are the facts upon which you based your statement to me. You have changed it several times, and you have changed it again just now. You say because there was authorization for McLachlan and Ainsworth to go to Czechoslovakia, that that was the fact that established in your mind the obligation to pay their expenses to Czechoslovakia. Is that right?—A. That is what would fix the amount, yes.

Q. That is what would fix the liability?—A. That is what would fix the liability, yes.

Q. And then the amount would be fixed in the detail of the account rendered?—A. In the subsequent detail of account rendered. I should like to make it quite clear that at the time that these accounts were up in investigation, as I remember, the detailed account had not then been presented.

Q. The detailed account had not been presented?—A. No.

Q. So that you did not see any account in which there was a charge for McLachlan and Ainsworth expenses for going to Czechoslovakia?—A. No.

Q. You had no information other than that a trip had been arranged for, had you?—A. I had the information, as I explained to you. This is very different than a trip being arranged for. These men were formally authorized by the Department of National Defence to go to Enfield for the purpose of getting the necessary information to do the work in setting up this plant.

Q. Col. Drew, you understand what we are dealing with at the moment?  
—A. Quite.

Q. We are dealing with the question of your veracity, and we are dealing with another question which is even more important to this committee, and that is the degree of regard that this committee can have for your statement, in the light of the care in which you take in criticizing others with regard to the correctness of their statements. I am putting this to you now, that last night you said to me, "I know more than that. I know that they"—meaning the people I referred to in my question, the men engaged in setting up the Enfield plant—

Mr. BERCOVITCH: The Inglis plant.

Mr. McGEER: Yes, thank you. The Inglis plant.

*By Mr. McGeer:*

Q.—engaged in setting up the Inglis plant, who according to our evidence, are several besides McLachlan and Ainsworth—"were sent to Enfield and also sent to Czechoslovakia at the expense of the Canadian people in order to learn how to do it." I have put to you the fact that I am going to prove in this committee, that not one of these men went to Czechoslovakia at the expense of the Canadian people; and I want to give you a fair opportunity to tell this committee why you made a statement to the committee which is utterly false.—A. I have given you the information.

Q. Well, Col. Drew, suppose it should now turn out that these men did not go to Czechoslovakia, and that not one dollar of expense had been incurred by the Canadian people. Can we take that as a measure of the veracity of your other statements?—A. Oh—

Q. Would you be willing to agree with me that that would be a fair test?—A. That is an old question, Mr. McGeer. I have given you the information. Remember this: after all, we had to rely on a great deal of information coming here simply through documents furnished us from England, because we did not have the witnesses here who could give the information. On the file was a record of the fact that the trip had been authorized; and under the contract that would be payable.

Q. I want to point out to you the difficulty in connection with prominent public men making statements. Do you think there would be anything to stop people going out into the country and standing up and saying,

I want to quote from the testimony of Col. George Drew, leader of the conservative party of Ontario, appearing before this committee as a distinguished military writer and authority, and this is what he said:—

*By Mr. McGeer:*

Q. Do you know that, as a matter of fact, the men who were engaged in setting up the plant were sent over to Enfield?—A. I know more than that. I know that they were sent to Enfield and also sent to Czechoslovakia at the expense of the Canadian people in order to learn how to do it.

That falsehood would have gone and has gone all across this country; and it is a falsehood, Col. Drew, that goes to the very basis of the charge of inefficiency and unnecessary expense that you have made in your article.—A. Mr. McGeer, it does nothing of the kind. Personally, I would think that the place in which they would have got the best possible information as to how to set up this plant would have been at Brno; and I am extremely disappointed if it is a fact that they did not get there.

Q. I think we will leave it at that. There are some other statements that you made with which I wish to deal. You are a militia officer?—A. Yes.

[Lieut.-Col. George A. Drew, K.C.]



Q. You are a militia officer of how many years standing?—A. Well, I became an officer in the militia in the spring of 1917. I was in the militia in 1910.

Q. You know something about King's orders and regulations, I suppose?—A. I do.

Q. You know something about the obligation of militia officers with respect to information that they have with regard to the defence of the country?—A. I do.

Q. And you know something of the obligation to deal with such matters in a public way honestly?—A. I do.

Q. And you know something of the obligation as to secrecy?—A. I know exactly what the duty is.

Q. You do. I am quoting from the newspaper report of your statement yesterday, and it reads:—

At the present time all Canadian field equipment was obsolete, Col. Drew declared. There was not a single modern rifle, no machine guns, and not a single tank of a modern type. There were only five fighting aircraft and four anti-aircraft guns.

Where did you get the information that there was not a single modern rifle?—A. I have been all over Canada in the last two years, and my contact with militia is such that I had information to that effect. As a matter of fact, nobody previously has questioned it. I might explain, since you raise the point, in connection with this demand for reorganization of the militia and the reference to the shortage, that that was done not only with the knowledge but with the encouragement of Hon. Ian Mackenzie. As I explained to you last night, up until the time that I discovered this abominable contract, I was doing everything I could to support Hon. Ian Mackenzie; and both before the conference of defence associations and in the article I read last night to you, I paid tribute to his energy and efficiency in carrying out this work.

Q. I asked you a simple question. I am going to deal with your friendship not only for Hon. Ian Mackenzie but your friendship for Col. LaFleche and your friendship, as you call it, for Hugh Plaxton.—A. No. Do not deal with my friendships for Hugh Plaxton.

Q. Well, we are going to deal with it.—A. All right.

Q. With what you call friendship, at least.

An hon. MEMBER: Abominable friendship.

*By Mr. McGeer:*

Q. What I am dealing with now and what I am asking is where did you get the information upon which you broadcast to the world that we have no modern rifles in Canada to-day?—A. I have got that information through the contacts I have had throughout Canada from one end to the other in the experience I have had.

Q. Did you get that from any departmental record?—A. No.

Q. No. What are those contacts you talk about?—A. Well, for one thing, I should imagine I have been in almost every city of any size in Canada; and usually when I have been there, I have been, in the very nature of things, in touch with militia officers.

Mr. BERCOVITCH: Inspecting rifles.

Mr. McGEER: Let me put this to you—

The WITNESS: No; not inspecting rifles.

*By Mr. McGeer:*

Q. I quite agree with you that this committee can be mightily concerned about the defence of this country, and we examined the Deputy Minister of National Defence upon this very point.—A. Yes.

Q. And the evidence of the Deputy Minister of National Defence—I can give it to you from the record if you question it, but I think the members of the committee will agree with me as I present it.

Mr. GREEN: What is that about?

Mr. McGEER: About rifles.

Mr. GREEN: I should like to know the reference. I do not remember it coming up. I made a similar statement in the house.

Mr. FACTOR: Look it up.

Mr. DOUGLAS: You are quoting it. You had better get the authority.

Mr. GREEN: I understood that the evidence was that there were no new service rifles since the war. I may be wrong, but that was my understanding.

Some Hon. MEMBERS: Order.

Mr. McGEER: Our information was that the Department of National Defence were not putting in any requisitions for rifles; and the reason given to this committee by the Department of National Defence was that there was a sufficient supply of serviceable rifles on hand and that we had no—

Mr. BROOKS: What page is that of the report, Mr. McGeer.

Mr. McGEER: I have not got it right at hand, but I could find it for you.

Mr. GOLDING: Go ahead.

Mr. GREEN: I think you are mistaken about that.

Mr. McGEER: Do you want it?

Mr. GREEN: Yes.

Mr. McGEER: There are lawyers at the end of that table, and they can look it up as easily as I can.

Mr. BROOKS: But we are not making the quotation.

Mr. GREEN: You are just about as close to the facts in this as you are in most things.

Mr. McGEER: I made this statement believing that the committee would be fair enough to concur with it, because I know that it is so.

Mr. GOLDING: Yes, that is right.

Mr. GREEN: We do not concur.

Mr. GOLDING: It is so.

Mr. McGEER: I should like to have that on the record, because we will now look it up.

Mr. GREEN: I know as much about this as you do, and probably a little more; and I am just as much concerned about the rifle situation in Canada as you are.

Mr. McGEER: I am dealing with the statement that this witness made.

Mr. SLAGHT: Do you support the statement the witness made in that regard?

Mr. GREEN: My understanding is that there are no modern rifles in Canada.

Mr. SLAGHT: That is not the point.

Mr. GREEN: That is what he said.

Mr. BERCOVITCH: "Serviceable rifles"; that is what General LaFleche said.

The CHAIRMAN: Order; go ahead with the witness, Mr. McGeer.

Mr. DOUGLAS: It is a matter of the definition of the word "serviceable."

Mr. McGEER: Would you say an obsolete rifle would be serviceable?

Mr. DOUGLAS: It depends on what it is for. It might be all right for shooting ducks.

*By Mr. McGeer:*

Q. Well, of course, you were dealing with rifles for the defence of Canada, were you not?—A. I was referring to the rifles in the possession of the defence forces.

Q. My information is that the Department of National Defence has on hand a large number—departmental records disclose the actual number—of S.M.L.E. Mark III rifles. That is, I am informed, the short service rifle that is in use in the British army to-day, as the standard rifle equipment of the British army. Do you disagree with that?—A. Yes.

Q. What is it?—A. They have a new Lee-Enfield rifle in Great Britain to-day, which is not the rifle in Canada. The rifle in Canada is the war model of Lee-Enfield rifle which has become—and I am using the military term—obsolete. That does not mean that the rifle will not fire. As you probably know, lots of rifles that may date back to 1900 will fire. I am not suggesting that these rifles will not fire. They are obsolete rifles in the military sense.

Q. Let me put this to you: My information is that in the main the reserves and the equipment of the British infantry is the Lee-Enfield rifle that was left over from the last war.—A. Unfortunately, they were slow enough in rearming that they still have in the hands of their infantry a number of obsolete rifles. But as quickly as they can they are replacing those with modern Lee-Enfield rifles. Reports and statements in military journals in England have spoken of the obsolete Lee-Enfield rifles as I have here, not in the sense that it will not fire, but that it is not a modern rifle. That has been quite clearly stated. I did not imagine that anybody would question it.

Q. I want to get your information. What do you base that statement on?—A. That it is obsolete?

Q. Yes.—A. Well, I have seen the new Lee-Enfield rifle in England.

Q. Yes, but you refer to military documents and military journals. Unfortunately, Col. Drew, I do not know very much about this thing, but I am informed by the department here—that is, by the responsible officials, and I am going to call them—that there has been no new Lee-Enfield produced since the war, and that there is not any production of rifles taking place in England at the present time because they consider that their reserves of rifles left over from the last war are adequate; and that we in Canada are in exactly the same position. We are not thinking of spending any money on rifles and there is not a dollar in the estimates this year for rifles, because the advice of the department is to the effect that we have ample rifles sufficient to meet the need.—A. Well, Mr. McGeer, they have very definitely considered the manufacture of new rifles in Canada. The general staff have had that under discussion.

Mr. McGEER: Might I correct my hon. friends at the rear by quoting from page 730 of the evidence? Mr. Brooks was asking the questions and Major-General E. R. LaFleche was the witness. The record reads as follows:—

Q. Is it not a fact that you have a quantity of rifles in store, but their quality is considered very inferior at the present time?—A. The fact, sir, is that the reports, the official reports—and I obtained one recently because the matter was somewhere questioned publicly—state that the rifles in the possession of the department, in storage in the department, are in serviceable condition.

Q. They are rifles of the same type as those used during the Great War?—A. Yes; and the same rifle that is still being used by the Imperial forces.



Q. Yes; that is the Enfield rifle?—A. Quite right.

Q. But they have manufactured a new Enfield rifle since the war and equipped their forces with the newer rifles?—A. Possibly so, but our Lee-Enfield rifles are in serviceable condition. . . .

The WITNESS: I assure this committee, Mr. Chairman, that the—

Mr. BROOKS: Just read on, Mr. McGeer, without omitting anything.

Mr. McGEER: Oh, yes. Continuing: —

Q. I do not think that is the general impression.—A. Well, I am telling you the facts. I cannot help what the general impression is. I am telling you the facts.

Q. I have had some experience with militia in target shooting and so on, and I have heard numerous soldiers and officers say that the present rifle is not serviceable, that is falls down when it comes to shooting on the ranges and other places.

Mr. BERCOVITCH: At any rate, this is irrelevant.

Mr. MCPHEE: Are we taking the evidence of General LaFleche or of Mr. Brooks?

Mr. BERCOVITCH: This has nothing to do with the Bren gun or the Bren gun contract.

The WITNESS: Perhaps it is not relevant, Mr. Chairman, but it is a matter of very great interest to many of us.

Mr. BROOKS: Yes.

The WITNESS: I assure this committee, Mr. Chairman, that the official reports I have from those directly responsible state that our Lee-Enfield rifles and the others are in serviceable condition. Let us understand that now. One must grant and one must realize that when you deal with many different articles, with many articles of the same kind, in the course of their being used some will fall down, some will become damaged, some will wear out and have to be repaired. It is possible, Mr. Chairman, that Col. Brooks' informant was impressed by the fact that he happened to see some rifles, one or more, which at the time happened to be unserviceable? But that certainly does not apply to our reserve rifles. They are reported, I repeat, to be in serviceable condition.

*By Mr. McGeer:*

Q. Now, Col. Drew, what was the last stock of rifles in the possession of the Department of National Defence that you inspected?—A. I do not understand the question.

Q. I say, when and where did you ever inspect a stock of rifles in the possession of the Department of National Defence?—A. I never inspected, in the military use of that word; but I am seeing them frequently.

Q. Where?—A. Well, I have no doubt you visit armories; and if you do, you will know that you cannot go into one without seeing the rifle rack some place around.

Q. Where did you see or where did you gather the information that all of our Canadian rifles are obsolete?—A. Through my observation of the fact. There is no question about the fact that Major General LaFleche has himself given evidence that the rifles we have are the war time rifles. What he says is not that they are not obsolete. He says they are serviceable. Those are two entirely different things applying to rifles.

Q. My information is that in the event of war, the reserves of Lee-Enfield rifles which were left over from the last war in the British armouries would be relied upon and used to equip the British infantry; and I am also informed that in

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the event of an emergency a great many thousands—yes, tens of thousands—of these rifles are going to be put, as a result of existing policy, into the hands of Canadian infantry men, and that they are being held in both Great Britain and in Canada for that purpose. Do you still say that those rifles are obsolete, in the sense of the meaning of that term as you used it last night?—A. I mean exactly that, in the military meaning of the term. As far as serviceable is concerned, the comparison is perfectly clear. During the great war it was necessary for the British artillery to use a great number of forty-seven guns or 15 pounders that had been used during the South African war. They were obsolete from the military point of view and were not in any way weapons that could fairly stand up to the German weapons. To-day we would be in the same position. We would be using weapons much older than the weapons used during the great war, which were veterans of the South African war. We would be using weapons here now over twenty-one years old at least.

Q. Well, Colonel Drew, you did not say to us last night that the weapons were obsolete in a military sense, you used that term in the common and general sense and it went to the people of Canada in that way. The ordinary dictionary meaning of the term "obsolete" is "useless."—A. Out of date.

Q. Oh, no. Obsolete means useless.

Mr. BROOKS: Rifles that are used in the military sense.

The WITNESS: Mr. McGeer, the general staff has been considering the possibility of making new rifles for Canada for some time, and one of the recommendations of the general staff is an arsenal for that purpose.

*By Mr. McGeer:*

Q. You know Colonel D. E. Dewar?—A. I do.

Q. Of the ordnance department?—A. Quite.

Q. He is a technical officer?—A. He is the director of mechanical supplies. He is not an ordnance officer, or, when I say that, he is not one of the experts on weapons in their production sense.

Q. No, but he is the man with the responsibility of the organization of that department?—A. Oh, yes, I know Colonel Dewar.

Q. And under Colonel Dewar there are a number of men who have direct charge of ordnance?—A. Yes.

Q. And Colonel Dewar has at his disposal the information of men who are paid by the people of Canada to look after Canadian arms, are they not?—A. Quite.

Q. Colonel Dewar is able to tell this committee what the rifle equipment is and what the machine gun equipment is, whether it is obsolete or not, whether it is serviceable or not, and I am going to put to you that he tells me your statement that there are no modern machine guns or no machine guns in Canada—A. I did not say "no machine guns," I said "no modern machine guns."

Q. Let us see how you said that. "There was not a single—"

Mr. DOUGLAS: Should not the evidence be quoted rather than a newspaper quotation?

Mr. McGEER: It should be, but I just wanted to deal with it as it goes out to the people and check with that.

There was not a single modern rifle, no machine guns and not a single tank of a modern type.

The WITNESS: I would think that it is quite clear that the way that was intended to read was that there were no machine guns or tanks of a modern type. But in any event I made it clear that I was referring to modern machine guns because machine guns in the possession of our infantry to-day are Vickers and Lewis, which are veterans of the great war.

*By Mr. McGeer:*

Q. I understand they are not obsolete; that there is a large reserve of the machine guns used in the last war held in reserve in the British arsenal for British defence, and that we have a number of them held for the same purpose; also that they are considered by the responsible officers of the Department of National Defence as being serviceable to the extent that it would not warrant scrapping them to substitute others of even more modern construction. I am also informed that we have the most modern machine guns in Canada.—A. For instance, we got two Bren machine guns for display purposes amongst the infantry. There may be display machine guns; I am talking about weapons in the possession of the defence forces.

Q. On what information did you make the statement that there are no machine guns in Canada?—A. I did not make the statement "There are no machine guns." I said "There are no modern machine guns."

Q. On what information did you make the statement "There are no modern machine guns"?—A. On discussions I have had, on statements that are made constantly by men dealing with this who know something about it. Also may I say this, the general staff has been very emphatic,—since you ask the question—the general staff has explained quite clearly to us as militia officers what the situation is, and the general staff has been emphatic to us for several years that our rifles were out of date, our machine guns and our other equipment and, actually, Mr. McGeer, with the knowledge of the minister, militia officers have been encouraged to do what they can to stimulate the public demand for new weapons so that the department will have the normal backing for an expenditure on this account.

Q. Have you ever examined any departmental records to ascertain what machine guns or modern machine guns there are on hand?—A. I have never inspected departmental records, but departmental records have been read to groups of which I was one.

Q. When?—A. On numerous occasions here in Ottawa during these conferences of defence associations, to which I have referred.

Q. When did they take place?—A. Every year since 1932.

Q. When was the last one?—A. The last one was last November. I was not at that one.

Q. When was the last one you attended?—A. 1936.

Q. 1936?—A. Yes.

Q. Was there any other information?—A. I will read you a memorandum from General Ashton?

Q. What date is it?—A. The 11th July, 1936, and this, I may say, is from exhibit 281 on the inquiry. General Ashton had been—

Q. Yes, go ahead.—A. General Ashton had been—

Q. Well, Colonel Drew, if you do not mind, as long as you give me the date of it— —A. No, I would prefer to read it.

Q. It is 1936?—A. It is the 11th July, 1936, and this is what General Ashton said when he was requesting that they immediately proceed with the erection of a government arsenal:—

I still feel that a small arms ammunition factory should be established capable of making revolvers, rifles, and automatic rifles, including the Bren gun. This, I feel, should be a government factory. I have, as you know, concurred in taking up with the war office the question of the supply of 1,000 Bren guns from Imperial manufacturers. There will remain a further supply of 6,000 which should be secured and the question of reserve should be considered. There will, in due course, come the necessity of entirely rearming the Canadian forces with a new rifle. We will require at least 250,000. The same factory and the same skilled personnel as used for the Bren gun could carry out this work.

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Q. That was in 1936?—A. On the 11th July, 1936.

Q. The question I was asking you was what information you had as to the present supply of machine guns, because your statement was made not in 1936 but last night. You said that you got it from the general staff, that the last meeting was in November of last year which you did not attend, and that the last meeting you attended was two years before that. When was that?—A. November, 1936. Oh, this memo. is the 11th of July, 1936.

Q. Yes, but the last general staff meeting that you attended was in 1936?—A. Yes.

Q. Was there any other information which you had upon which you based this statement, and I will quote it from your evidence of last night, page FFF-3:—

We haven't a single modern heavy machine gun in Canada, not one—not one that was not made during the great war and that is not completely obsolete.

Do you still stick to that statement?—A. I stick to the statement that there are no modern machine guns in use in the defence forces in Canada and that are not completely obsolete.

Q. And you base that information on the information you secured through the general staff, the last meeting which you attended?—A. No, no, I did not say that. You were asking me the source of my information and I said amongst the places I got it was the general staff. I told you also that I have been in armouries all over Canada and naturally in conversations I am discussing this with militia officers, with officers in the infantry—

Q. But you see when you get information of this kind and give it to the public and to the world at large it becomes important that we know the source of it.—A. Yes; I would say, for instance, I am still constantly in the armoury in Guelph. I saw the situation there. I saw the situation elsewhere. I discussed it with these officers. They are all concerned.

Q. Are you still an active militia officer?—A. On the reserve of the 11th Brigade in Guelph.

Q. You are an artillery officer, are you not?—A. I am, yes. We are equipped with Lee Enfield rifles, too.

Q. Have you ever gone down to the Department of National Defence or to the Master General of the Ordnance or to any responsible officer in the national defence to check this information that you picked up generally?—

A. Mr. McGeer, I would not go to the deputy minister or to the Master General of the Ordnance, I would go to the minister. Having regard to the remarks that were made yesterday here and elsewhere, a matter of this kind is in my opinion the responsibility of the minister. The deputy minister is a civil servant who acts under the minister, and I have had discussions about this matter with the minister and the minister was very approving of the effort I was making to arouse the Canadian public.

Q. Yes, but you did not go to the deputy minister or the Master-General of the Ordnance or to anybody in the Department of National Defence?—A. No, I went—

Q. To get this information.—A. I have had discussions with the man at the head of the Department of National Defence.

Q. You got your information, I take it, in part from the Honourable Ian Mackenzie, the Minister of National Defence?—A. We have had numerous discussions of this over a period of years.

Q. When was the last discussion?—A. Well, the last specific discussion on this subject—I can give you the date—I was asked to go to Mr. Mackenzie's suite in the Chateau Laurier and I went there at 12 o'clock noon on Saturday, February 11, 1939, for a general discussion of these matters.

Q. And what did the Minister of National Defence tell you then?—A. For one thing he complimented me very much on my effort to arouse public interest in a demand for munitions supply, and so on. And I may say that even at that time I had already made the very statement that I made here last night in regard to rifles, machine guns, artillery weapons and tanks, because the situation was then the same as it is now. I would also say that at that time there was a very great deal of understanding between us as to the general situation.

Q. When was that?—A. That was on Saturday, February 11, 1939.

Q. 1939?—A. No, no. I am sorry; I have the wrong year there. No, it was Saturday, February 12, 1938,—last year.

Q. That would be something over a year ago?—A. Yes.

Q. Did you have lunch with the minister on that occasion?—A. No.

Q. Where did you meet him?—A. We had had a meeting for the second day of the Canadian Artillery Association that morning, a meeting which he had attended, and Colonel Scott, his military secretary, came to me and asked me to go to Mr. Mackenzie's suite when I left the meeting, which I did.

Q. Have you any other information upon which you base the statements?—A. Yes. There have been similar statements made—I noticed a similar statement made in the Senate by a very prominent soldier who has access as a senator to the information—General Griesbach, who made exactly the same statement a few weeks ago. That is another source that has not been questioned.

Q. Any other information?—A. Yes. These statements are made at every gathering of militia officers in the country whether formally or informally.

Q. And can you give me any of these gatherings, formally or informally, where you got the information from a responsible officer? You see, we have got to the time now, Colonel Drew, when we want something more than party speeches in the Senate or barrack room gossip; we want to get down to dealing with facts, and I want to know from you any source of information that you had which warranted you in broadcasting to the world this unqualified declaration of the deplorable conditions of our Canadian defence forces.—A. Well, the Honourable Ian Mackenzie. One thing I will commend him for is that he has never left any doubt about the situation in regard to our equipment.

Q. In all your experience have you ever found a more energetic minister working towards the building up of Canadian defences than the same Honourable Ian Mackenzie?—A. Oh, yes.

Q. You have? Who?—A. Well, for instance, as far as the war time was concerned, we had a very energetic war minister, and we had a very energetic war minister just after the war.

Q. Who?—A. We had a very energetic minister for a time in Colonel Donald Sutherland, then in his successor, the Honourable Grote Stirling, and as I read to you last night I congratulated the Honourable Ian Mackenzie on his service.

Q. You are not being influenced to the belief that the Conservative ministers of defence were better than the Liberal ministers of defence, are you?—A. I will say this, that the best peace time defence minister this country has had to my knowledge is Sir Frederick Borden, but that goes back some years. And he was a Liberal.

Q. Well, the next best peace time minister? Who was the next?—A. Oh, I will be quite frank with you. I do not think the Department of National Defence has had the opportunity it should have had at any time since the war.

Q. Where do you put the Honourable Ian Mackenzie in your idea of ministers of national defence?

Mr. DOUGLAS: You must not use profanity.

*By Mr. McGeer:*

Q. The Honourable Mr. Douglas says, when I ask you about where you put the Honourable Ian Mackenzie, "You must not use profanity," implying that if you wanted to describe your opinion of the Honourable the Minister of National Defence in his opinion profanity would be necessary. Do you agree with that?—A. I am answering questions you ask me, not statements made by any one else.

Mr. DOUGLAS: What right has he to ask the witness' opinion about the order in which he would place the ministers of national defence?

Mr. SLAGHT: What right have we to have a member, whether he has been a member of the cloth, or any other calling, throw in little sotto voce asides to endeavour to get a laugh and then complain when he is checked up and exposed?

Mr. DOUGLAS: No one is complaining, and in anything I say I do not repeat someone else's statement.

Mr. McGEER: Well, I quite agree, Colonel Drew, that I probably was wrong in interjecting that; but in a court of this atmosphere it is sometimes almost impossible to avoid the influence that are around.

Mr. DOUGLAS: That is pretty stale.

Mr. BEAUBIEN: Why don't you practice that yourself?

*By Mr. McGeer:*

Q. Now, I want to bring the matter back to where it should be. On these statements that you have made I take it that you have given me all the information that you have to base them on?—A. I based them on a very general contact with the militia of this country.

Q. Now, you complained last evening, if I remember correctly, that we having a rifle manufacturing institution in Canada, they should have gone to that institution to secure the production of Bren guns, is that right?—A. No, I did not say that.

Q. Did you refer to the fact that we had a rifle manufacturing plant or a gun-making plant in Canada?—A. Now, that is just an example, Mr. McGeer, of the necessity of getting these things clear. When I mentioned the rifle factory it was at the time that I was pointing out that when it came to considering ways and means of making military equipment it seemed to me that the logical thing to do would be to consult men who have had experience in that particular line of work, and I suggested that there should be a conference of steel manufacturers who knew something about conditions, and I pointed out that there is a rifle factory in this country. That is not a military rifle factory, it is a factory located in Cobourg where they know something about the making of rifle barrels and so on.

Q. And did you not suggest that the Department of National Defence in considering the production of Bren guns should have consulted and conferred with that concern to ascertain what assistance they could be in the production of those guns in Canada?—A. What I said was that they should consult skilled men who knew work of this kind, steel work; and outside of any work that may be done from an experimental point of view at the National Research Council, I do not know of any other place in Canada where rifles are being made to-day other than the Cooey plant in Cobourg.

Q. I understood your evidence last night to be to the effect that that concern should have been examined and consulted and brought in?—A. No, I did not say that. I said he should have been one of these men consulted in this broad discussion of the problem of how any of these things were to be made.

Q. He should have been consulted with reference to the production of rifles and small arms because he was in that business?—A. As one of a group, yes.



Q. Would it surprise you to learn that he was consulted before the Bren contract was— —A. It would not surprise me at all. As a matter of fact I know actually what occurred. Mr. Jolley called at the Cooey plant in October, handed him a photograph of the Bren gun, looked around the place and had a bit of a chat and left there; and that is about all that happened.

Q. But you want that statement to go on the record as your understanding of the examination and report?—A. Mr. Jolley made a report when he came back in regard to that plant. I will explain that Mr. Jolley was at that time just a junior officer who was just learning the ordnance work and he had been sent down there at that time and was at that plant among others, I assume.

Q. Let me say to you that on November 3rd, 1936, the plant was examined and a report was made on November 6th, 1936, and an opinion conveyed to the deputy minister. And now, you have told us your conception of that examination. I want to read the report into the record.—A. What is the exhibit number of that report?

Q. It is exhibit No. 40 and was before the Davis commission:—

The . . . Company originated in Toronto and operated on various types of machine construction and rifle manufacture until 1928. At that date a more suitable site was found in . . . and the factory was moved.

The present factory buildings located on the west side of . . . are those of an old woollen mill and provide floor space of about 50,000 square feet. Ample building space is provided for expansion.

The company is owned in its entirety by Mr. . . . and is operated and managed by him and his two sons. Mr. . . ., while manufacturing in Toronto in 1917, was engaged on a contract to supply the backsights for Ross rifles. This contract appears to have been executed in a satisfactory manner.

Products at present manufactured by Mr. . . . are small sporting rifles of .22 and .25 inch calibre, shot guns of the Iver Johnson pattern, and pressed steel furniture. The sporting rifle and pressed steel furniture are made entirely at . . . The shot guns are imported from the Iver Johnson company in the United States in unfinished component parts and are finished and assembled in . . ., the finished product having a 68 per cent Canadian content. Attached are pamphlets illustrating the various products of the company.

As regards the rifle and shot gun manufacture in progress in the factory, it can in no way be compared with the manufacturing process required for service weapons. The design of the weapons made lends itself to simple processes of production and does not demand a standard of accuracy comparable with that required by service weapons. Consequently the machines in use are, for the most part, single purpose machines which are not of a type, quantity or quality adaptable to the production of service arms.

In addition to the general unsuitability of equipment, many of the methods of production in use, although admirably suited for the purpose for which they were devised, are not in accordance with recognized standard practice in small arms manufacture and are unsuitable for producing service weapons. For example, rifling of barrels is done by a crude broaching method as opposed to using standard automatic rifling machines. The fact that comparatively low-carbon steels are used for component parts and manufacturing operations are simple, accounts for the use of methods which would in no way be satisfactory for performing the multitude of operations on high class carbon and alloy steels entering service weapons.

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No provision for forging or proper heat treatment is required in the factory.

The pressed metal furniture section, on the other hand, would appear to hold more possibilities for manufacture for the service. The equipment and methods in use appear to be of a type adaptable to the production of such pressed steel components as magazines for machine guns and rifles or charger for rifles.

To sum up, therefore, it would appear that the possibility of the present factory of the . . . Company, from the service point of view, would be the manufacture of small components such as sights or trigger mechanisms in the rifle section and pressed steel fittings such as magazines in the metal furniture section. It is certain that the plant, without almost complete conversion, is incapable of producing a complete service weapon.

M. P. JOLLEY,  
*Lieutenant, R.C.O.C.*

That is the company. That report was filed with the Davis commission and this is the only rifle manufacturing company in Canada; is that correct?—A. That I believe is the only rifle manufacturing company in Canada.

Q. And that is the rifle manufacturing company to which you referred in your evidence last night?—A. I referred to the rifle manufacturer as one of those who should be consulted under the defence plans for the production of weapons in this country.

Q. I put it to you again; this is the manufacturing company that you referred to in your evidence before this committee last night?—A. That is so, and that is the one I have just explained.

Q. And I take it, Colonel Drew, that this committee has the right to consider your evidence given with regard to this rifle company as a fair criterion of the kind of evidence you used to base the statements which you made in the article of Maclean's magazine of September 1, 1938?

Mr. HOMUTH: When you are speaking before the committee speak for yourself. You are not speaking for all of us.

*By Mr. McGeer:*

Q. That is in as exhibit No. 40. Is what I said correct?—A. One cannot answer a question on a long speech. I do not know what questions you were asking.

Mr. McGEER: I will ask the reporter to read my question.

*Reporter reads:*

Q. I take it, Colonel Drew, that this committee has the right to consider your evidence given with regard to this rifle company as a fair criterion of the kind of evidence you used to base the statements which you made in the article in Maclean's magazine of September 1, 1938?

The WITNESS: The two are in no way related.

*By Mr. McGeer:*

Q. You know, Colonel Drew, a bad memory is a bad thing for a politician?—A. You have discovered that, I have noticed.

Q. Yes, that is quite true; and my discovery is with regard to yourself.—A. Oh, no.

Q. Do you forget that you used almost the same identical statement with regard to this rifle company in Maclean's magazine that you used last night to this committee?—A. Where is the statement?

Q. I have not got the reference to the article but I will get that. At page HHH-3—A. Of what?

Q. Of your evidence of last night.—A. Oh, yes.

Q. You said: "How are they going to be produced? Well, you have the list of steel manufacturers there. We have, incidentally, one rifle manufacturer in Canada who is making excellent rifles and knows a great deal about the manufacture of rifles, and he was not consulted in regard to this particular matter."—A. That is right.

Mr. FACTOR: That is not right.

*By Mr. McGeer:*

Q. You still say that that is true?—A. I do.

Q. You know that Lieut. Jolley as he was then—now Captain Jolley—went down and made this report, after a conference with the owner of that plant who stated to him that he was not interested in the manufacture of Bren guns?

Mr. MACNEIL: Where is that?

The WITNESS: Yes, where is that?

Mr. McGEER: I am telling you what Jolley has said.

The WITNESS: Where is that?

Mr. GREEN: That was not the evidence before this committee.

Mr. McGEER: All right. I will call Captain Jolley to prove it.

Mr. HOMUTH: It would be a good idea to call him to give the evidence instead of you giving it.

Mr. McGEER: I am giving this witness a chance.

The WITNESS: You will remember, the point at which you quoted was at the point where I was suggesting the way to have dealt with it—and what would have been the wise way to have dealt with it before—was to have brought together the manufacturers who knew something about this. I said this man was an excellent manufacturer of rifles and his rifles are excellent rifles. He, incidentally, is making sporting rifles of very good quality.

*By Mr. McGeer:*

Q. Do you know what those rifles sell for? They are little .22's.—A. He makes some larger rifles than that.

Q. .25?—A. He makes larger rifles than that.

Q. Larger than .25?—A. Yes.

Q. He was not making larger rifles at that time?—A. I can tell you, that he made one order of several thousand barrels for high velocity sporting rifles for a company.

Q. That was since this report?—A. No.

Q. As a matter of fact, what Jolley says is this:—

Products at present manufactured by Mr. Cooley are small sporting rifles of .22- and .25-inch calibre, shot guns of the Iver Johnson pattern and pressed steel furniture.

Now do you say that that report is not right?—A. I say that that report does not include the type of work he has done. In other words, the plant was equipped to make barrels for high-velocity rifles and he actually made—and in this I also am saying this after consultation with Mr. Cooley—a large number of high-velocity barrels for sporting rifles.

Q. All right. Here is what Lieut. Jolley says about that:—

In addition to the general unsuitability of equipment, many of the methods of production in use, although admirably suited for the purpose for which they were devised, are not in accordance with recognized standard practice in small arms manufacture and are unsuitable for pro-

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ducing service weapons. For example, rifling of barrels is done by a crude broaching method as opposed to using standard automatic rifling machines.

Do you still say that Cooley was not consulted?—A. I definitely say that Cooley was not consulted as to the method by which Bren machine guns should be made in this country.

Q. Now, now, Colonel Drew.—A. Let us get this quite clear.

Q. Now, now.—A. Let us get this quite clearly. You have read a report there made by Mr. Cooley—

Q. No, made by Lieut. Jolley.—A. Made by Mr. Jolley who, apparently, was reporting on the capacity of that plant to make Bren guns. I have not suggested, and no one has suggested, that the Cooley plant could make Bren guns. What I have said was that Mr. Cooley was one of the best qualified men in Canada to talk about ways by which rifle barrels or similar things could be produced.

Q. What I am dealing with and what we are going to deal with is what you said last night.—A. Quite.

Q. You said:—

How are they going to be produced? Well, you have the list of steel manufacturers there. We have, incidentally, one rifle manufacturer in Canada who is making excellent rifles and knows a great deal about the manufacture of rifles, and he was not consulted in regard to this particular matter.

What I am putting to you is that Jolley went down to his plant, examined the plant in detail examined what he was producing, examined his methods of production and reported.—A. And reported that that plant was not suitable for the production of Bren guns. There is no suggestion in that report that he took up with Mr. Cooley the method by which Bren guns could best be made in Canada. You will find from the context of the statement last night that was what I was referring to.

Mr. GOLDING: You know he did not. You are sure he did not.

*By Mr. McGeer:*

Q. No, no. You did not say that. What you said was, "He was not consulted in regard to this particular matter."—A. Quite.

Q. You did not say he was not consulted in regard to the method of producing Bren guns in Canada. You made it wide open. You said, "He was not consulted in regard to this particular matter." That is what you said.—A. I have answered, and I repeat that you must take the context of the remarks. I was dealing there, as you will remember, with a recommendation I made to this committee, that in order that it might provide some useful purpose for its sitting, it should recommend specifically that there be a conference of steel manufacturers with the general staff to work out ways and means; and then I dealt specifically with this case.

Mr. PURDY: That is only his opinion.

The WITNESS: That is only my opinion.

*By Mr. McGeer:*

Q. Col. Drew, we have the report of Lieut. Jolley before us which was made to the Deputy Minister of National Defence with regard to this company. Upon what do you base the statement that this rifle manufacturer was not consulted with regard to the method of producing Bren guns in Canada?—A. From two things: From the absence of any reference to it in that report and from personal discussions with Mr. Cooley, the manufacturer in question.

Q. Did he tell you that he could have helped the Department of National Defence in the production of Bren guns?—A. He said he knew a lot about the methods, certainly.

Q. What did he say to you? What was the conversation?—A. There was a general conversation. I was not asking him in regard to what he could have done or could not have done. I was asking him about this. I happened to meet him down there at Cobourg. We were chatting about the general subject and I was in his plant and saw it. We discussed this matter; and in the discussion of this he explained on that point in regard to the suitability of his plant to produce Bren guns.

Q. Was that before the article or after?—A. That would be before the article was written.

Mr. BERCOVITCH: Yes; that is the answer.

The WITNESS: Wait, now, just a minute. Let me correct that. It would be between—as it happened, it would be between the time that article was written—I think between the time the article was written and the time it appeared, probably.

*By Mr. McGeer:*

Q. On such an important matter— —A. Oh, no, it was not. I met people down there, met this man. I cannot tell you the exact date. I can easily find out if you want me to find out.

Q. It was just a general conversation, you say?—A. Discussion about this. I was particularly interested in the fact that he himself had been making sights for the Ross rifles. We went from that into the discussion of the general situation and then I found that I had actually fired a rifle which he had made. It was a very excellent rifle.

Q. I want to put this to you: My information is that Lieut. Jolley went there not only to make an examination of the plant but to ascertain whether or not that plant was suitable for the production of service rifles as well as machine guns, and that he found that it was not suitable and that there was no one there who had any experience in the production of service rifles or machine guns. Have you any information to the contrary?—A. No. There are two questions there, and I shall divide them. In the first place, no one has suggested, that I know of, that that plant is capable of turning out large numbers of service rifles. I would be the last to suggest that that should be the place picked to turn out service rifles. For one reason, you will know that at that time I was recommending that service rifles be produced in a government plant. What I said was that this man knew more about making rifles than any man I knew of in Canada.

Q. Yes. It is one o'clock, Mr. Chairman, but might I just close that subject with one question. Do you know of anybody in that organization that had any experience whatever in the production of service rifles or machine guns?—A. I do not know that Mr. Cooley has had any experience in the production of actual service rifles. I know that he produces rifles.

Q. Do you know of anybody in that plant who has any experience in the production of machine guns?—A. I am certain there is not, because no machine guns have ever been made, to my knowledge, in Canada.

Q. Then why did you suggest that the Department of National Defence were derelict in their duty because they did not call in people from that rifle manufacturer to advise them on the manufacture of service rifles and Bren guns?—A. Well, because it would seem to me logical that if one were making any product, whether it be a rifle or a mouse trap, one would logically go to the man who was making a rifle or a mouse trap, whether it be one of a particular type that you were going to make or of another type. In this case, the problem

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before the government, if they were going to make it in a private plant, was to find out how best it could be made; and whether this plant had made machine guns or not, the experience this man had in making rifles would be of very great value; the knowledge of turning out rifle barrels, of butts and things of that kind, would be of very great value, although conceivably he might have had no experience in regard to the manufacture of every part.

Mr. MACNEIL: It is one o'clock, Mr. Chairman.

Mr. McGEER: Very well.

The CHAIRMAN: Gentlemen, I presume it is the wish of the committee to resume at two-thirty, the same as we did yesterday.

Some Hon. MEMBERS: Yes.

The CHAIRMAN: The committee stands adjourned until two-thirty p.m.

The committee adjourned at 1.05 p.m., to meet again at 2.30 p.m.

### AFTERNOON SESSION

The committee resumed at 2:30 o'clock p.m.

The CHAIRMAN: Gentlemen, if you will come to order, we have a quorum and we will proceed with the witness.

*By Mr. McGeer:*

Q. At the luncheon adjournment, Colonel Drew, we were dealing with this matter of your statement; as I understood it the proper thing to have done was to have consulted a rifle manufacturer in Canada in regard to this particular matter. Now might I draw your attention to your evidence at page HH-2, where you make the statement, you say:—

Now, in the case of the Bren gun, you have the evidence, and there is no need to elaborate on it, that no steel manufacturer, that no man skilled in the production of fine steel, was consulted by those responsible before entering into this contract before the contract was signed.

On what did you base that statement?—A. On the statement of the Minister of National Defence.

Q. On the statement of the Minister of National Defence?—A. And the deputy minister.

Q. And the deputy minister; made where?—A. At the inquiry.

Q. Made at the inquiry; was it based on anything else?—A. I believe—I don't remember—I remember their evidence, I don't remember whether other witnesses gave evidence to that effect or not.

Q. As far as you remember this statement made in your evidence last night was based on the evidence given before the Davis commission by the minister and the deputy minister?—A. That is right.

Q. And you do not recall any other matter that you had in mind last night?—A. I do not at the moment recall any other, no.

Q. Now, do you still wish to stand by that statement as a true statement?—A. Absolutely.

Q. Do you know that the deputy minister and all members of the ordnance staff had before them a report based on information supplied by those responsible for the development of the Enfield plant for the British War Ministry for the production of Bren guns?—A. At what time?

Q. In December of 1936.—A. I do not know of that being given in evidence, no.



Q. Do you know as a matter of fact?—A. Was it given in evidence?

Q. Yes.—A. Where?

Q. Well, it was given in the evidence, in the report filed by Major Hahn after his return from England.—A. Of course Major Hahn presented his report on his return; and that report was not a report by men responsible for the production of the Bren gun in England, that was Major Hahn's report.

Q. You see, as I understood the evidence, Major Hahn as the representative of the Canadian government consulted with all the experts at Enfield and brought back the information following a prolonged conference and consultation with everybody in the Enfield plant who had charge of it, and that it was upon that report that first negotiations for the contract were commenced?—A. Yes. What is the point?

Q. The point is—— A. I mean, I do not get it.

Q. The point is, is it true to say now in the case of the Bren gun, you have the evidence and there is no need to elaborate on it, that no steel manufacturer and that no man skilled in the production of fine steel was consulted by those responsible for entering into this contract before the contract was signed?—A. That is correct.

Q. Then you, assuming that the conference, which is in the evidence, of General LaFleche, that following the report by Major Hahn which was complete and elaborate and which was in turn checked by Clyde Caldwell with the Enfield authorities—— A. Just a moment, there is no evidence from Clyde Caldwell.

Q. Wasn't there any exhibit in the record showing that the cost of production of the Enfield gun had been checked by the ordnance department?—A. Cost; that is a quite different thing from method of production.

Q. Well, will you say that there was no consultation with men like Gillespie?—A. There was no evidence that there was consultation. I am talking now about the inquiry. Just what are you speaking of?

Q. Then I will put this to you, the Department of National Defence were engaged in a new problem, the production of the Bren gun?—A. Yes.

Q. They sought advice from the British War Office?—A. Yes.

Q. They secured a report from one who got his information as a representative of the Canadian government?—A. A man who said in his evidence that he did not know he was the representative, but was there as a contractor seeking this business.

Q. But he did bring in that report which he filed with the Department of National Defence?—A. That is so.

Q. And that report is evidence before the Davis inquiry and before this committee, and it was compiled with the assistance of men in charge of the development of the Enfield plant for the British War Ministry; that is right, isn't it?—A. The report was filed at the time that Major Hahn was in England visiting the plant as the stated representative of the Canadian government so far as the government was concerned, but on his own statement he was merely a contractor seeking business.

Q. Well, do you suggest that the people in Enfield with whom Major Hahn conferred were not skilled in the production of fine steel?—A. Of course not, I have not suggested that.

Q. Do you suggest that they failed to give Hahn all the necessary, essential and pertinent information required to bring about the production of the Bren gun in Canada?—A. There is no evidence to that effect whatever.

Q. No evidence to that effect?—A. None whatever.

Q. Do you say that Major Hahn did not go to Enfield not only according to the evidence not only before this committee but before the Davis inquiry?—A. Of course, he went. He went to Enfield, as I have explained, as the repre-

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sentative of the Canadian government according to the government's statement; as a contractor, according to his own statement.

Q. To do what?—A. To get, in the case of the Canadian government, the evidence is that he went to get information for the Canadian government; his evidence is that he went there as a contractor.

Q. What information?—A. Obviously, with regard to the Bren gun.

Q. In regard to the production of the Bren gun in Canada?—A. That is apparent.

Q. That was the terms of the communication?—A. Right.

Q. From the Department of External Affairs to the High Commissioner's office, and in turn from the office of the High Commissioner to the British War Ministry; the British War Ministry, as you will recall, gave or were authorized by the Canadian government to give to Major Hahn all the information that they thought would be pertinent to the production of the Bren gun in Canada; you don't dispute that, do you?—A. No. That is not so. According to their own statement they were prepared to give all the evidence which would ordinarily be available to the Canadian government to Major Hahn on assurance from the Canadian government that he was the government's representative. In consequence a cablegram was sent by the Hon. Ian Mackenzie that he was the government representative and he got access to Enfield on that understanding.

Q. Are you not being a little careless in your statements again?—A. I am being very careful in my statements.

Q. There is no statement from Mr. Mackenzie that he was the agent of the Canadian government?—A. We will just check that up.

Q. There is a lot of difference between a representative and an agent?—A. A representative of the Canadian government.

Q. That is different from being an agent?—A. I said representative of the Canadian government.

Q. I thought you said agent. You will agree with me that in law there is quite a difference between representative and agent?—A. I grant you, in this case evidently the Department of National Defence acted as the agent, he was acting as the representative.

Q. And you do not suggest that there was any employment of Major Hahn as an agent of the Canadian government?—A. No, I am not suggesting that at all.

Q. That was never suggested by you or anybody else?—A. He was supposed to be paid; he filed an account of \$20,000 for his services.

Q. After he had consummated the contract?—A. Yes.

Q. You know that if he had never consummated the contract he would have had to pay that amount himself?—A. I do not know that.

Q. You do not know that the evidence before this committee and before the Davis commission was that he went to England on his own volition?—A. Major Hahn insisted then in putting in a claim for \$20,000 which he had no right to claim.

Q. We will explain that later, because I think as a lawyer I will be able to explain that very easily to you.

Mr. DOUGLAS: Don't give away any secrets of the trade.

*By Mr. McGeer:*

Q. In the meantime what I want to do is to deal with this statement of yours made last night, to bring it back to your attention: "that no man skilled in the production of fine steel was consulted by those responsible before entering into this contract," before the contract was signed?—A. Yes.

Q. And now, those responsible for entering into the contract were first the responsible officials of the Department of National Defence, were they not?—A. They were, they are the people who are primarily responsible, yes.

Q. The minister as head of that department, and the deputy minister and the head of the ordnance branch; they were the people responsible from the government's point of view?—A. As far as I am concerned in this discussion the minister is the man?

Q. The minister is the man?—A. Is the man.

Q. Now, the minister sent a wire from his department authorizing the British War Office to give Major Hahn as the representative of the Canadian government all information pertinent to the production of Bren guns in Canada?—A. That was not what it said, it said: all the information that would ordinarily be available to the Canadian government—

Mr. FACTOR: If you turn to page 24 of the report of Mr. Justice Davis you will find it there:—

And information which they consider desirable and necessary to enable national defence to reach conclusion on possibility produce Bren gun in Canada.

The WITNESS: It goes much further than that.

*By Mr. McGeer:*

Q. I think it is referred to in exhibit 99. Would you mind looking that up and we will have the exhibit?—A. Exhibit 98 is a cable from the Hon. Vincent Massey to the Hon. Ian Mackenzie:—

LONDON, 9th November, 1936.

Have received to-day following request in a wireless message direct from National Defence, Begins:

Please request Major Hahn now in England to communicate with me through your office in cypher his impression as to possibility of producing Bren gun in Canada. This is urgent and ask him to give details such as time required for delivery and estimated cost. Ends.

In order to obtain information desired, war office must be requested to give Major Hahn, as representative of the Canadian government, access to information of a secret nature which normally is not given to other than government officials.

Major Hahn also informs me that Minister of National Defence has requested him to obtain, if time permits, all available information regarding manufacture of tanks and shells which would also necessitate similar request from the war office.

Before making any application to War Office, would appreciate instructions. Would be grateful for such instructions by to-morrow if possible.

Mr. FACTOR: That is a cable to the Secretary of State for External Affairs.

The WITNESS: What did you say?

Mr. FACTOR: That is from the High Commissioner to the Secretary of State for External Affairs—that exhibit 98.

The WITNESS: Yes, that was the transmission, and it was referred then to the minister of the department, direct to the minister and it reads:—

*Secret.* Your cablegram 9th November 396. Have discussed matter with Minister of National Defence. You might request war office to give Major Hahn, as representing Canadian government in this particular, any information which they consider desirable and necessary to enable National Defence to reach conclusion on possibility produce Bren gun in Canada. It is not desired to request furnishing of information on any article other than this gun.

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*By Mr. McGeer:*

Q. So that by these messages, as you know, Major Hahn was given access to the Enfield plant and the information upon which he prepared the report which he presented to the Department of National Defence in a very extended form?—A. Yes, that is right.

Q. Now, do you say that after that full conference and consultation with the men actually engaged in the setting up and the production of the Bren guns for the British War Ministry that no one was consulted by those responsible for entering into this contract before the contract was signed?—A. No skilled manufacturer of fine steel was consulted by the government officials in regard to the matter—Major Hahn was not a government official.

Q. Now you are qualifying?—A. I am not qualifying at all.

Q. You said, no man skilled in the production of fine steel was consulted by those responsible by those entering into this contract before the contract was signed?—A. That is right.

Q. You still say that is true?—A. Absolutely right.

Q. And notwithstanding the fact that we conferred with the British War Office officials putting a representative of the Department of National Defence into the Enfield plant, preparing and securing data essential to the production of the Bren gun in Canada, you still state as an author and a citizen that no man skilled in the production of fine steel was consulted by those responsible for entering into this contract before the contract was signed; is that right?—A. Definitely.

Q. Well now, we had a little discussion about memory this morning. I said to you that—dealing with the rifle manufacture and quoting your evidence which follows along after the discussion of the Bren gun, where you say: we have only one rifle manufacturer in Canada who is making excellent rifles and knows a great deal about the manufacture of rifles, and he was not consulted in regard to this particular matter. I said to you, do you remember, I think I said you said an almost similar thing in your magazine article?—A. I asked you to refer to the statement, yes.

Q. Do you remember that?—A. If you will refer me to it?

Q. I asked you, do you remember saying it in the article?—A. Refer me to it in the article and I will be very glad to answer the question.

Q. I take it from that that you do not remember it?—A. I remember the article, I think, very well; but I am not going to answer a question of that kind which does not define the words that you are referring to.

Q. All right; I shall read them to you. At page 34, question 2, we find this:—

Having decided that it should foster the private manufacture of military weapons, why did it choose Major James Emmanuel Hahn, whose industrial experience was confined to the manufacture of radios, instead of choosing men with years of experience in the manufacture of rifles who are available.

A. Yes.

Q. What men with years of experience in the manufacture of rifles were available?—A. There are still men in Canada who were engaged in the old Ross rifle company.

Q. Yes. Who are they?—A. I cannot give you their names at the moment, but it is very easy to find out who they are. A lot of them live in the city of Quebec still, where the Ross rifle plant was and where they turned out hundreds of thousands of rifles during the Great War, as you know.

Q. Yes. Who of the Ross rifle organization were available, to your knowledge, in 1936, 1937 and 1938? Can you name me one that you know?—A. I know one man that knew a good deal about the manufacture of Ross rifles. That is the man I have spoken about this morning, Mr. Cooey.

Q. Yes. We have dealt with him.—A. Quite.

Q. I have concluded with the Cooley plant.—A. Yes.

Q. And I asked you if there were any others, and you referred me to the Ross rifle men. Now I put it to you straight: Can you name me one of the men that you know, to your knowledge, that was engaged in the production of Ross rifles that was available?—A. No. I made inquiries and found out that a great many men with skill in the manufacture of rifles were available in the industry in Canada to-day.

Q. Where are they?—A. I got that information from this very man I spoke about, a man who does run a rifle factory.

Q. So the only information you can give this committee for the justification of this statement in the article, question 2 on page 34, "Having decided that it should foster the private manufacture of military weapons, why did it choose Major James Emmanuel Hahn, whose industrial experience was confined to the manufacture of radios, instead of choosing men with years of experience in the manufacture of rifles who are available?" was the information you got from Cooley of the Cobourg plant which Lieut. Jolley had reported on in November, 1936. Is that correct?—A. Yes; that and other information.

Q. What other information?—A. You may or may not know that right here in Ottawa there are men with a great deal of skill in the manufacture of rifle barrels.

Q. What is that again?—A. Right here in the city of Ottawa there are men who are skilled in producing rifle barrels.

Q. Who are they?—A. In the National Research Council out here.

Q. Do you know that they were not consulted?—A. I know that the evidence is that they were not.

Q. But did you know when you wrote the article that they were not?—A. I made inquiries and the information I got was confirmed; and the judge bears that out in these words:—

Notwithstanding that the contract involves the expenditure of several millions of dollars by the Canadian government, no industrial producer (other than Major Hahn) was consulted by the Department of National Defence as to the proposed manufacture of Bren guns for the Canadian government or invited to give competitive bids or terms of manufacture. Nor did anyone, so far as the evidence shows, ever visit any industrial plant (except Inglis) to consider the possibility of production of Bren guns in Canada.

Mr. GREEN: What page is that?

The WITNESS: That is on page 8 of the royal commission report.

*By Mr. McGeer:*

Q. There was one rifle plant in Canada, was there not?—A. There was.

Q. And exhibit 40 in the evidence before the Hon. Henry Hague Davis shows that Lieut. Jolley, as the representative of the Department of National Defence, visited, conferred with and reported on that plant before the contract was entered into.—A. Reported on the plant as to its suitability for the production of weapons. That was before the judge when he made that finding with which I thoroughly agree. That is the finding based on the evidence.

Q. Do you then say that that is a finding that the Department of National Defence did not go to any other industrial plant but the John Inglis plant?—A. That is exactly what the judge says.

Q. Did the judge disbelieve the report that we now have before us?—A. I am afraid you will have to ask him. I have read his finding.

Q. Have you any reason to disbelieve it?—A. None whatever.

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Q. You did not have that finding before you when you wrote this article?  
—A. No. But it is satisfactory to have a judge confirm the accuracy of what I said in the article, which I said after full inquiry.

Q. That is particularly so where the article does not happen to be true, is it not?—A. There is no place where the article is not correct.

Q. I am afraid there are very few places where it is correct.

Mr. HOMUTH: You have not proved that.

The WITNESS: You have not proved that, or no one else.

Mr. HOMUTH: Why should you make a statement of fact like that?

Mr. McGEER: I should like to give the witness as much evidence ahead as I can, because I want to be fair with him. I do not think he will object to that.

*By Mr. McGeer:*

Q. I am asking, Col. Drew—and I want an answer—if, outside of the information you had secured from Cooley, there was anything else upon which you based this statement in your article at page 34 to which I have referred and your statement at page 4 of your evidence last night in the type written transcript?—A. Yes. I have told you that. There are other places where men have been making barrels; and also I consulted the very large purchasers of rifles in this country, to find out whether they were made here and what the capacity was for producing them here, and got a great deal of valuable information.

Q. All right. Who were the purchasers you consulted?—A. The sporting goods department of Eaton's store in Toronto.

Q. Anybody else?—A. Those were the people that I consulted.

Mr. McLEAN (Melfort): What about Woolworth's?

*By Mr. McGeer:*

Q. You rather deprecated Jolley's capacity to report on a plant of this kind this morning. You said he was a young man, that he went down there and had a look around and came away, or something to that effect. Do you find any fault with Jolley's capacity to investigate and report on the suitability of industrialists in Canada to produce the Bren gun?—A. I certainly do.

Q. You do. What do you find wrong with him?—A. He had no experience at all to qualify him for such a highly responsible position as that; and you will find that was the opinion the judge held.

Q. Are you sure about that?—A. Quite. The judge pointed out that he was a very estimable young man, that he was earnest and anxious to do the right thing, but that his training was hardly adequate for this high responsibility given him in this case. I am not now talking about Cooley's case specifically.

Q. Where do you find that in the judgment?—A. Well, we will just look through it. It is at the bottom of page 5, and is as follows:—

Lieut. Jolley, of the Royal Canadian Ordnance Corps, presently employed in the branch of the Master-General of Ordnance of the Department of National Defence, who received his technical education at McGill University where he graduated with honours in mechanical engineering in 1933, was sent to England in August, 1934, to receive instruction at the Military College of Science at Woolwich to qualify him for the position of Ordnance Mechanical Engineer. He took a year's course at the government instructional centre at Woolwich Arsenal. The course embraced the study of design and practical application of military stores, including artillery equipments, range-finding equipments, and small arms. Small arms include rifles, pistols and light machine guns. He was chiefly concerned at Woolwich with manufacturing, though small arms, he said, are not made at Woolwich Arsenal. He received there, however, instruction in the types of small arms and the general require-



ments, the point of view of design and the actual finishing and production of small arms.

Mr. BROOKS: I think on page 35, at the bottom of the page, is where he made the reference you spoke about a moment ago.

The WITNESS: Yes. That gave his qualifications. Then I turn to page 35. These are the words of the judge:

Lieut. Jolley impressed me as an earnest and scholarly young man, skilled in his own technical branch. But he was obviously without the business experience and judgment necessary for dealing with a proposed business contract of an intricate nature involving the expenditure of millions of dollars.

*By Mr. McGeer:*

Q. Do you, as a lawyer, interpret that as a finding that Lieut. Jolley was not competent to advise on the technical features of production of the Bren gun in a plant?—A. I say very definitely that he was not, that what the judge points out here is that he was very earnest; and may I say that there was no doubt that he was. I believe that he will be a very competent officer and probably is extremely competent within the limitations of his training. But as in everything else, experience, in a matter of the utmost national importance of this kind, is an essential matter. He had only graduated in 1933 and this was just a few years afterwards. The judge points out he had not the business experience and judgment necessary for dealing with a proposed business. Now, production is an industrial business proposition. Nothing that is reported in his experience there would qualify him in any way to pass on how the Bren gun should be produced as an industrial proposition.

Q. All right. I want to refer you to page 7 of the same report. Reading from the first paragraph on that page:—

Some three or four weeks after Lieut. Jolley's return to Canada in August, 1936—

—A. Where are you reading from?

Q. I am reading from the first paragraph on page 7.

Mr. MacNEIL: The second paragraph, Mr. McGeer.

Mr. McGEER: The first paragraph does not start on that page. That paragraph reads as follows:—

Some three or four weeks after Lieut. Jolley's return to Canada in August, 1936, two Bren machine guns that had been ordered by the Department of National Defence from Czechoslovakia arrived in Canada and he was detailed to demonstrate the gun to certain officers of the department and also to certain members of the permanent and non-permanent militia.

Then going on down below:—

Lieut. Jolley prepared drawings, which were dated September 8, 1936, for a proposed small arms factory, for the information of his superiors, in connection with any plans which might be made for small arms factories. These drawings are exhibits 18 and 19, respectively. It was not for the Bren gun that these drawings were particularly prepared; it was from the general point of view, for future reference. Lieut. Jolley said that he considered these drawings could be applied to Bren gun production, subject to revision of minor details.

The Department of National Defence therefore had, on the return of Lieut. Jolley from England in August, 1936, very considerable knowledge and information available to it for the consideration of the problem of the production in Canada of its actual requirements of Bren guns.

[Lieut.-Col. George A. Drew, K.C.]

*By Mr. McGeer:*

Q. Is that not a finding, first on page 35, that Lieut. Jelley impressed him "as an earnest and scholarly young man, skilled in his own technical branch" whom the judge finds had in his possession a very considerable knowledge and information available to it for the consideration of the problem of production in Canada of its actual requirements of Bren guns.—A. The finding is that the department had very considerable knowledge and information available.

Q. As a matter of fact, you know that Lieut. Jolley gave evidence before this committee. At page 616 this is what he said, starting at the end of a question on that page:—

As a matter of fact, you were not called upon to settle the terms of the contract, were you?—A. No, definitely not, sir.

Q. Did you ever assume any responsibility in the matter of determining whether the terms of the contract were sufficient or otherwise from a commercial point of view?—A. I had a responsibility to my superior officer.

Q. In regard to the terms of the contract?—A. Not in regard to the legal terms, in regard to certain aspects of the contract which I considered I was sufficiently qualified to comment upon.

Q. But your responsibility was the report upon which your superior officers acted?—A. Exactly, sir.

Do you say that Lieut. Jolley was not competent, after his experience in the Enfield plant, to fulfill the position that was assigned to him of reporting, as a technical officer, of the production of small arms in Canada?—A. Let us get this quite clear. What I said was this, that he was not competent to report on the method of producing Bren guns in Canada. That was not what he was asked to do. What he was asked to do and what he did do was to report on the fitness of the Cooney plant to manufacture Bren guns; and I have no disagreement with his report in regard to the fitness of that plant and I said so at the outset.

Q. Was he not, as an employee of the Department of National Defence, competent to consult with the Enfield producers of small arms and report to this government on manufacturing methods and production methods there employed?—A. No. He was over there learning to become an officer in the Ordnance Corps. The plans that are referred to here are plans prepared by him in his instructional period.

Q. Yes. But he gave evidence that, in addition to going there and taking the training course in the production of small arms in the Enfield plant, he sat in on the initial stages of setting up Bren gun production in Enfield.—A. He was not being consulted or anything of that kind. He was there at the time they were beginning the work on the production of Bren guns.

Q. Where could a man, as a trained engineer,—a graduate with honors of a Canadian university—better go to get information about the Bren gun than to the Enfield plant?—A. I should think that was a very proper place for him to go.

Q. And that is where he went.—A. And he came back as a qualified expert in the Bren gun. That is a very different thing from being a qualified expert in industrial production.

Q. But it was on the industrial production of the Bren gun that he took his course of training in England, was it not?—A. No. He was just over there learning about the Bren gun; and his evidence was extremely frank that he had no opportunity of studying the details of production methods. He was extremely frank also in the fact that he did not put himself up as an expert on production methods. He was extremely frank.

Q. But did he not have experience in the production not only of the Bren gun but of all types of small arms as it was carried on by the British arsenals at

Enfield? Do you say that is not true?—A. I say that, for the length of time he was over there, it would not be possible for a man to learn industrial production methods in any one thing, let alone what he himself has said was the most difficult type of production we could have.

*By Mr. Golding:*

Q. Do you know how long he was there?—A. He was there a little over a year.

*By Mr. McGeer:*

Q. Do you suggest that you are better qualified—

Mr. GOLDING: Hear, hear; that is the point.

*By Mr. McGeer:*

Q. Do you suggest that you are better qualified to advise what course should be followed because you have consulted the sporting goods department of Eaton's store.—A. That is pretty far-fetched.

Q.—than Lieut. Jolley is after conferring with the officials in charge of small arms production for the defence department of the United Kingdom?—A. I am not going to answer that question because I have not suggested it.

Q. You have not?—A. No.

Q. You set yourself up in this article as an authority empowered to criticize and condemn not only the conduct of Jolley but the conduct of the men responsible for the defence of the Dominion of Canada.—A. Jolley's name is not mentioned in the article at all.

Q. No, but they are all included. You did not miss any of them.—A. Oh, yes.

Q. All right.—A. I think possibly if you read the specific paragraphs in the article, I will answer that.

Q. I am going to come to that.—A. That will be fine.

Q. What I want to put to you is this—

Mr. GREEN: We cannot hear, Mr. Chairman.

The CHAIRMAN: A little louder, Mr. McGeer.

*By Mr. McGeer:*

Q. Col. Drew, what I am putting to you is this: Have you ever had any experience in the production of any kind of armaments?—A. I have not.

Q. You have not?—A. And having none, I would certainly seek advice from somebody who did know something about it, and no one else.

Q. If you were Minister of National Defence, where would you send your representatives to get information about the Bren gun? Would you send them to the British war ministry or to Eaton's sporting goods department?—A. Now you know that may be very amusing but I did not suggest for a moment that anyone should go to Eaton's sporting goods department.

Q. You told us that.—A. I did not suggest that anybody should go to Eaton's sporting goods department to find out about the Bren gun. You asked me where I got information about rifles. I went to the place that handles probably more rifles than any one place. I should think that is a natural starting point.

In regard to the third point, you asked me what I would do if I were the minister. If I were minister and were confronted with the problem of making Bren guns I would immediately consult skilled steel manufacturers in this country, ask them to bring in their technical experts and find out from them how best we could produce the Bren guns in Canada. And I would abide by their advice because they are the men who know how to handle steel.

Q. I do not think we need to worry about it.—A. We would not, if we did that.

[Lieut.-Col. George A. Drew, K.C.]



Q. Because I do not think you will ever be minister of national defence.  
—A. It would not be in the mess it is now, if I were, I can tell you that.

Q. Well, you do not lack self-confidence, Colonel.—A. I guess neither of us do.

Q. You can see how far you have got by the response to your remarks.—A. Oh, we have a good house.

Q. If you are willing to concede that you have not as much ego as myself it would not get you into trouble.—A. I will concede I could not have much more. It would not be possible.

Q. Would you suggest that the better course to follow would be to go to the Cooley plant where they produce .22 inch rifles; .25 inch rifles that sell for—do you know how much?—A. They are very cheap rifles.

Q. How cheap?—A. Possibly I can give you the price; I do not know. You might want to buy one, and I think I have bills here. No, unfortunately, the price is not on their list.

Q. Did you give me the price?—A. No.

Q. I understand they sell from around \$2.90 to the retail trade.—A. I have a sheet here with seven different rifles and I imagine they range in price through quite a scale. They make cheap rifles and they make quite good ones, and as I have explained they have turned out thousands of barrels for high velocity sporting rifles.

Q. Would you suggest that would be a better place to go than the British war office?—A. I never suggested that.

Q. If the Department of National Defence under the direction of the present minister, in considering the production of Bren guns in Canada, went to the British war office for their advice, could you find any fault with that course?—A. Certainly there can be no fault about going to the British war office for suggestions.

Q. And advice and assistance and direction.—A. The place for Canadians to decide how they are going to produce anything is in Canada, having regard to our normal producing methods and having regard to the thing we must produce. And let me say we have just as highly skilled steel manufacturers as there are anywhere in the world, and those are the men to ask how to do it.

Q. Let me say to you that it was arranged with the British war office before the contract was signed that they would send their experts to Canada and, in accordance with that arrangement, after the contract was signed and production came in they sent to Canada one of the best men on production they had in the service of the British Empire.—A. Production came in where?

Q: Let me refer you to Captain Jolley's evidence at page 595.

*By Mr. Green:*

Q. You and Mr. Gillespie are really the only two Bren gun experts in Canada?—A. I would hesitate to call myself an expert. I was the first one in Canada to have intimate knowledge of the Bren gun and to have training or to have experience in the manufacture of that type of weapon. Mr. Gillespie is a methods and planning man. In other words, his specialty is in determining how a particular piece of material is to be dealt with in production. That is, if a radius is to be cut, he says how it is going to be set up, or how it is going to be held in the fixture on the machine, and what is the best type of procedure to remove that material; that is Mr. Gillespie's specialty.

*By Mr. Slaght:*

Q. Do you know of any greater expert in that filed in the Empire?—A. No. As to units of actual planning of operation I should say that Mr. Gillespie has had more experience and had possibly more responsi-

bility, particularly with respect to the machine gun, than any one in the British Empire, because Mr. Gillespie passed on all the operations, lay-out sheets, which were prepared at Enfield, and those are our bible as far as production methods are concerned in this country. We use the Enfield operation sheets and we remove material in the same sequence of operations and by the same methods as is done at Enfield.

Can you suggest to me and to this committee any better method of assuring efficient production of the Bren gun in Canada than has been followed according to this evidence?—A. Certainly.

Q. In what?—A. I would say that you would have to bring into consultation a very considerable group of men because of the fact that there are a number of details of production involved in this particular case. And doubtless when they had decided how best the thing could be produced, having regard to Canadian production methods, they undoubtedly would go to the place where the Bren gun was made—Enfield—and of course before the recent event over there, Czecho-Slovakia—and find out what they do there and then set up a plant for production in Canada consistent with Canadian production methods.

Q. Then you do not agree with the course that has been followed here and which has been outlined in Captain Jolley's evidence?—A. I do not.

M. GREEN: Mr. Gillespie did not come until August, 1938.

M. BROOKS: He came to the John Inglis plant after they had the contract.

Mr. HOMUTH: As an employee of the John Inglis plant.

Mr. BROOKS: Yes.

*By Mr. McGeer:*

Q. I want to ask you another question. What experience have you had in drawing cost-plus contracts for the production of armaments?—A. None whatever.

Q. Have you ever in your life drawn a cost-plus contract for anything?—A. Yes.

Q. What?—A. For building and for the production of such a thing, for instance, as rubber footwear. Things of that kind. Nothing in connection with armaments.

Q. Nothing in connection with armaments?—A. Of course, there have been no arms of this kind made in Canada since the war, and I was not practising before the war.

Q. Now, if the Department of National Defence, deciding to negotiate and develop a cost-plus contract for the production of arms, decided to have the scrutiny and advice of the British war office, would you agree that that would be a wise course to follow?—A. I believe that we have in this country lawyers, in spite of the evidence I sometimes see to the contrary, quite as capable of drawing contracts under the advice of any department as any place in the world. I do not feel that we need to go outside Canada for that.

Q. But you will also agree that they have some fairly good lawyers in England?—A. Oh, yes.

Q. And you will also agree that the British war office is supplied with competent legal officials to advise on British war contracts or armament contracts.—A. I am not going to pass any opinion on the legal advice that the war office has. After their signing this contract, I am not so sure.

Q. So you question the wisdom and ability of the contracts department of the British war office?—A. No, I do not.

Q. Would you say that the Deputy Minister of National Defence of Canada would be wrong in going there for advice and assistance on the preparation and determination of the terms of a contract for such a thing as the Bren gun?—A. They did not do it.

[Lieut.-Col. George A. Drew, K.C.]

Q. You say they did not do it?—A. That contract was drawn up here, as Colonel Orde said and as he himself explained, according to a model that they already had—and they are in as exhibits here—in connection with two or three aeroplane contracts, in which the words are identical except for the addition of some specially favourable paragraphs.

Q. You say that the contract was not examined by the British War Office?—A. I did not say anything of the kind.

Q. Before it was signed?—A. I did not say anything of the kind. What I said was it was not prepared by them or on their advice and that it was prepared here.

Q. You know that the evidence before the Davis inquiry and before this committee is to the effect that the Department of National Defence took the position that they would not sign a contract with the John Inglis Company until it had been scrutinized by the British War Office.—A. No, no, no. They took the position that they would not sign a contract with the British War Office until the War Office would order 5,000 guns.

Q. That is another point. I am dealing with the contract, and the evidence before this committee and the Davis commission was to the effect that the Deputy Minister of National Defence told the members of the interdepartmental committee that no contract would be signed until it was scrutinized by the British War Office.—A. Well, what is your question?

Q. Do you know that that is a fact?—A. Do I know that he told the committee that, do you mean?

Q. Yes.—A. I think he told the committee that.

Q. And do you know that the contracts were sent to the British War Office for scrutiny?—A. I know that the contracts were sent there to see if they would approve. As a matter of fact, the contract in its final form was objected to, as you know, by the War Office. And actually, as you know also, the British contract was not signed at the time it was stated in the house it had been signed, by the Honourable Ian Mackenzie when he said that in June, 1938. It was not signed until July 18, 1938, because they objected to certain terms in the contract drawn in Canada.

Q. What I said to you was this, that the position taken by the Department of National Defence on the evidence before the Davis inquiry and this committee—I refer you to exhibit 63, a meeting of the interdepartmental committee of January 24, and I am referring to the report of the minutes of that meeting, at page 3. The chairman speaking:—

We have been unable to come to any reasonably close cost price, and that is why we have been trying to get Major Hahn over to the War Office, so that they could examine the Canadian prices and say whether they are considered reasonable or not. The absolute figures should be scrutinized by the War Office. No contract will be entered into until the War Office has scrutinized its terms.

A. Yes, that is what he said.

Q. That is what he said.—A. Yes.

Q. Let me refer you to exhibit 227.—A. Let me at that point say that this was on January 24, and I may say you also know that the contracts which were signed were drawn up here in Ottawa and were signed here and that the contracts then went to England and actually the War Office objected to certain provisions of the contracts.

Q. I quite agree, one of which you criticized very severely in your article. But let me refer you to the letter of the 11th of February from the War Office.—A. What exhibit number?



Q. Exhibit 227, signed by H. A. Brown, who was Sir Harold Brown at that time, chief of the British ordnance department, formerly director of British contracts in the War Office. This is what he says:—

Dear Colonel LAFLECHE,—During the past few days we have had some long discussions with Major Hahn, in which we have been greatly assisted by the excellent way in which the two draft contracts had been drawn up. They have been discussed clause by clause, and some minor amendments, intended to make the intentions of the parties more clear, have been agreed with Hahn, and also one amendment of some importance. I cabled this information to you through Canada House on the 9th instant and I now enclose the list of the amendments.

Do you find any fault with that course?—A. Not at all.

Q. Then we had the Department of National Defence negotiating a contract after its review by the interdepartmental committee and the Department of National Defence taking the position that they would not execute it until it was scrutinized by the British war office. That is correct, is it not?—A. Yes, the drafts referred to in that letter were sent over. Major Hahn was in England at that time. It was discussed with the war office and certain amendments were suggested and then at the last extremely late meeting of the interdepartmental committee the final form of the contract was completed somewhere around 6 o'clock in the morning, was approved here and a copy of that sent to England.

Q. But it incorporated the amendments?—A. Oh, yes, and further amendments made here.

Q. Improving and strengthening the contract.—A. Making the changes that were suggested. Yes.

Q. But do you suggest that in the light of those negotiations, securing, first, the information from the British war office as to particular methods of production and, as Jolley says, adopting them under a contract which was approved by the British war office, everything within reasonable opportunity was not taken advantage of to see that our government secured a good contract?—A. I do not suggest that that has anything to do with whether it was a good contract or not.

Mr. BERCOVITCH: Have him answer the question.

The WITNESS: I will answer the question, as I hear it suggested. My answer is "No."

*By Mr. McGeer:*

Q. What else could have been done?—A. Exactly what the judge said should have been done. You will find what the judge said should have been done, or, rather, what he pointed out was that the only lawyer consulted in regard to this was Colonel Orde who, with his multifarious duties and no pretence at being a company lawyer, could not be expected to advise on a contract of this kind.

Mr. GREEN: What page is that?

The WITNESS:

No lawyer (excepting Colonel Orde who as Judge Advocate General has multifarious duties and would not claim to be a commercial lawyer) passed upon the intricate terms and conditions of the contract for the department; apparently the Department of Justice was not consulted. That is at page 42.

*By Mr. McGeer:*

Q. As a practising lawyer in Ontario and in Canada you do know Mr. Fraser Elliott, do you not?—A. I know Mr. Elliott, yes.

Q. He is a lawyer?—A. Yes.

[Lieut.-Col. George A. Drew, K.C.]

Q. Mr. Fraser Elliott is Commissioner of Taxation on income tax in Canada?—A. That is so.

Q. And during the years of the war profit tax had experience in the administration of that law?—A. That is so.

Q. Do you suggest that he is not a lawyer?—A. I never suggested that at all, but I do remember very definitely that he was one of the ones who as a result of the objection to this contract said that there should be tenders and it was not until he was told that he had to deal with this company or none at all that his objection was over-come. I remember that very well.

Q. He, of course, gave evidence before this committee and we are dealing with that point just at the moment, do you suggest that he as a lawyer has had no commercial experience?—A. I agree entirely with the evidence of the judge, that no lawyer excepting Col. Orde who as Judge Adjutant General has multifarious duties and would not claim to be a commercial lawyer passed upon the intricate terms and conditions of the contract for the department; apparently the Department of Justice was not consulted. There is no evidence before the commission that he passed on the terms of the contract. He was consulted as a member of the interdepartmental committee, and as a matter of fact he raised an objection to the form of the contract as drawn by Col. Orde, that does not suggest that he had done the work of drafting it at all, but he made a very wise suggestion that there should be some limitation of the possibilities of exploiting the stock possibilities of this thing, and he himself in a hurry drafted the section which unfortunately has not had the effect of preventing stock racketeering at all.

Q. It is not in the British contract?—A. Of course not, because I do not think their lawyers over there would have put such a provision in because it would be of no effect.

Q. But there is no attempt to control what was admitted to be controlled in so far as stock manipulation was concerned?—A. That system is not stated in England, they would have no concern in the way stock was normally sold, nor would they have any control over the sale of stock in Canada.

Q. Now you are talking too freely, are you not?—A. I am not talking too freely for I know that the British government has no control over the sale of stock in Canada.

Q. They would not have a right to insert a clause similar to ours if they wanted to make it a contractual obligation?—A. Mr. McGeer, they were not concerned with the shares, whether stock is sold or not. Their concern was the production of Bren guns.

Q. I see. In any event, I want to come back to this: Fraser Elliott gave evidence before the committee that he and all members of his committee had this contract under review for a period commencing on the 5th of January and continuing through until March 17th, there were four meetings and a sub-committee meeting held, and the contract was in their minds and under review all that period of time; and Mr. Fraser Elliott's evidence was that at the end of their last meeting they had agreed to all the terms of the contract, had settled and passed upon them, and were of the opinion that it was a good contract. That is his evidence before this committee. Now, do you say in the face of that evidence, that no lawyer except Col. Orde passed upon this contract?—A. I say that the evidence was quite clear at the inquiry that in so far as the preparation of this contract was concerned, except for the amendments made on the last night by Mr. Elliott, no lawyer had had anything to do with the drafting of this contract except Col. Orde.

Q. You are talking about the passing and approval of the details of the contract, not the draftmanship; do you say that no lawyer but Col. Orde passed on and agreed to the terms of this contract before it was settled?—A. I do.

[Lieut.-Col. George A. Drew, K.C.]

Q. You do. Now, in the face of Sir Harold Brown's letter, Exhibit 227—and I want to read it to you because I want you to have clearly in your mind what it says:—

During the past few days we have had some long discussions with Major Hahn, in which we have been greatly assisted by the excellent way in which the two draft contracts had been drawn up.—They—

You are clear that "they" meant both contracts?—A. They were duplicate contracts except in regard to the proportions involved.

Q. Oh no, they were not duplicate contracts, they were contracts individual and separate with substantially similar terms?—A. With exactly the same wording for the majority, but changed according to the proportion in regard to the production of the number of guns to be delivered, and so on.

Q. But there was nothing of a duplicate nature about them. They were two contracts, separate and distinct, one between the Canadian government and the John Inglis company and the other between the British government and the John Inglis company, signed separately, and having in the main similar terms with the exception of variations according to their respective interest, and some clauses in our contract which our interdepartmental committee insisted upon for protection that were not insisted on in the British contract; but the word "they" of this paragraph that I am reading refers to the Canadian contract and the British contract?—A. Yes, that is so.

Q. Now, "They have been discussed clause by clause, and some minor amendments, intended to make the intentions of the party more clear, have been agreed with Hahn, and also one amendment of some importance. I cabled this information to you through Canada House, on the 9th instant, and I now enclose a list of the amendments." Do you say that that does not apply that these contracts were reviewed by the responsible officials including the lawyers of the British War Office before they were executed?—A. It does not say anything of the kind.

Q. It does not say anything of the kind—and the letter of Sir Harold Brown's does not indicate to you that such a course was followed; is that right?—A. It does not indicate anything of the kind. It indicates that they at the war office went over this contract, this was a contract which was in substantially similar terms and had been discussed with them in the summer of 1937 when the minister and the deputy minister were over there.

Q. Yes?—A. And it was a contract that they explained that they wanted to sign. The British War Office were asked to buy 5,000 guns from the same plant. It was explained that the Canadian government were not prepared to proceed with its purchase until the British War Office agreed.

Q. Yes, but surely, Col. Drew, as a lawyer you would not expect a contract involving some \$6,500,000—

Mr. GREEN: More than that.

Mr. HOMUTH: It was \$8,000,000.

*By Mr. McGeer:*

Q.—involving a substantial sum of money of several millions of dollars would be scrutinized by the responsible officials of the war office before any important amendments were drawn?—A. My answer to that is that I certainly would have expected that any contract involving, whether you call it \$5,000,000 or \$7,000,000, or \$8,000,000—many millions of dollars—of this kind would be subjected to the test of the opinion of the most competent commercial lawyers available, and that was not done in Canada.

The judge himself has said, no lawyer except Col. Orde, passed upon the terms and conditions of the contract for the department; he was the only lawyer who passed on the terms of this exceedingly important contract to

[Lieut.-Col. George A. Drew, K.C.]



Canada; and I certainly cannot speak as to what happened at the war office.

Q. But we have a letter from the war office that they passed upon the contract and suggested important amendments before it was signed, amendment which we adopted?—A. There is no question about that.

Q. Who do you think drew these amendments for the British War Office?—A. I have no way of knowing.

Q. I suppose it is within the limit of reasonable assumption, isn't it, that they have a contract department there?—A. I imagine they have.

Q. And they have a director of contracts?—A. They have a director of contracts, yes.

Q. They do run a large number of contracts and are running a large number of contracts to-day?—A. A great many.

Q. And are giving out to British industry, to your knowledge, a program of co-operation between private industry and the government in developing widespread production with private enterprise?—A. That is so.

Q. That is so; so that the director of contracts would not only have a legal staff but a very large legal staff dealing specifically with cost plus contracts, wouldn't he?—A. I do not know, I do not think you do.

Q. Would you dare to suggest on your responsibility as the author of this article that they have not?—A. I will say exactly what I said before; I do not know, and unless anybody has been there he cannot know.

Q. It is too bad you did not realize how little you knew about armaments before you wrote this article?—A. That is getting no where. Mr. McGeer, it might be well to remember that in this case this contract was the one that the British War Office was told the Canadian government wanted them to sign, they originally wanted them manufactured in Canada in a government plant and it was only on the representations of the Canadian government that they changed this to a private plant.

Q. Now, at page 230, let me draw your attention to this record?—A. Yes.

Q. There is a reference there to the evidence of Mr. Fraser Elliott who was being examined by Mr. Homuth. It reads:—

Q. You redrafted the contract?—A. No, we did not draft the contract.

Q. You redrafted it?—A. No, we did not redraft it. We would not admit that. Let me explain it, if there is ambiguity there. We were a committee, as Mr. McGeer has said, to consider contracts primarily that were referred to us, "when the Department of National Defence"—and I am quoting from the order-in-council—considered that effective competitive tendering cannot be secured and to advise upon such principles and safeguards which the committee considers should be observed". That was our duty according to the order-in-council. We were not to redraft contracts. We were not to draft terms that we thought should be in them. We were to suggest, and those charged with drafting were to put those suggestions into legal form. If the suggestions we happened to dictate so directly that the suggestion in itself took almost the form of a complete legal draft, that is only incidental. I repeat that when I dictated that paragraph that night, sometime after midnight, I wanted to convey the idea to those charged with drafting as closely as might be. Therefore, I dictated it as it now is; but I did not consider myself a drafting committee or charged with the duty of redrafting. So I say to both of you, "No, we are not a drafting committee. We were only there to suggest—to use the language used in the order-in-council—the safeguards and principles that should be incorporated legally."

Now, do you suggest that a man of Mr. Fraser Elliott's experience, using his own language, "we were there to suggest the safeguards and principles that could be incorporated legally"; that he was not passing on a contract?—A. I

certainly do. I think his words are extremely clear. He says, I was not the draftsman, I was to suggest; in other words, it would be like someone coming into your office and saying, I want this done, you put it into legal phraseology. He is suggesting the safeguards, others were to do the drafting. He says, "I did not consider myself a drafting committee or charged with the duty of redrafting."

Q. You don't find any fault with the form of the contract, do you?—A. Mr. McGeer, the form of the contract is only the skeleton which carries into effect the intention of the parties.

Q. The principles and the safeguards to be legally incorporated?—A. Exactly, yes.

Q. That is what Mr. Elliott does, too?—A. He says he was not passing on the draftsmanship.

Q. Yes, but the judge has given us a very clear finding that as to the form of the contract, he sees no substantial objection to be taken to it?

Mr. HOMUTH: What else does he say?

Mr. McGEER: He wants to know whether the substance is all right.

Mr. HOMUTH: Exactly.

Mr. McGEER: But the principles that were incorporated were passed on by the interdepartmental committee?

The WITNESS: But the Judge says the interdepartmental committee broke down.

Mr. McGEER: Oh, well, we had all that and we dealt with it.

The WITNESS: Yes.

*By Mr. McGeer:*

Q. Now, I want to come to the article itself. You have read the article I suppose as it appeared, you have seen the form of it?—A. Yes, I have seen the form of it.

Q. You are in no doubt as to the suspicion it was intended to create, are you?—A. I am not in any doubt at all that there was no thought of suspicion; what is brought out there is facts, and very important facts for the Canadian public.

Q. Why, because you thought there was something wrong, didn't you?—A. There certainly was, and there certainly is.

Q. So that you wanted to convey to the public of Canada that there was something wrong in the development of the Bren gun contract; is that right?—A. I stated exactly what the facts were and pointed out that there had not been disclosure of the real facts in the house, and that there were certain factors connected with this contract that were very contrary to the public interest, and that there were answers that should be given.

Q. Will you take the article as it is presented on page 1. You notice the heading is,

"Editor's note—The following article went to press on August 9.

The author's statements are based on departmental records as of August 5.—A. Yes.

Q. You saw that before the article was published, did you?—A. I cannot be sure of that, I knew that something of the kind would be going in.

Q. You did not know?—A. As you probably know, having yourself contributed to *Maclean's*, you do not see it yourself just before it goes to press.

Q. Where would they find out as to that?—A. They would have found out from me, as to the date.

Q. They would have found that out from you?—A. Yes.

[Lieut.-Col. George A. Drew, K.C.]

Q. I want to draw your attention to the first statement. It is in column one on page 8—have you got a copy of the article there?—A. Yes.

Q. It says, "This machinery, which had been stored at Valcartier after its removal from Quebec, is suitable for the manufacture of machine guns, rifles and other small arms, and had been intended for use in a government arsenal. It constitutes the bulk of the machinery which will be required for the fulfilment of both the Canadian and the British contracts." Have you got that?—A. Oh, yes.

Q. Where did you get that information?—A. That was what we had been told at the various discussions in regard to this matter by those who knew.

Q. Who told you?—A. Oh, I think, as a matter of fact, that General Ashton was one of those who had told us.

Q. That is a statement in this article, is it not?—A. Yes.

Q. It is an important statement in this article?—A. Yes.

Q. What departmental record is it based on?—A. That was not based on a departmental record.

Q. But the article says: "The author's statements are based on departmental records of August 5."—A. Mr. McGeer, you know perfectly well what that means. In the article there are statements here about information obtained from departmental records, and that statement obviously refers to those. The information obtained from departmental records was the information with regard to the structure of the various companies that were concerned with this; and the department in question was the Ontario Company's Branch, because these three companies connected with this are Ontario companies.

Q. Yes. But there were departmental records available, were there not?—A. No. The rather interesting part about it is that the departmental record in regard to the Bren gun plant was lost and could not be produced at the inquiry.

Q. But it was produced at the inquiry?—A. It was not produced at the inquiry. I am now talking about a departmental record as to a government plant which was referred to as the Ross rifle. There was a plan prepared which showed the arsenal plant in which the Bren guns and rifles were to be produced and that could not be produced at the Davis commission inquiry.

Q. If there had been departmental records available to you, I suppose your facts would have been based on that?—A. I can easily indicate to you support of that statement, if that is what you want.

Q. Let me draw your attention to exhibit 92.—A. Yes.

Q. Which is taken from the departmental records in the file. It is a letter dated December 17, 1936, and reads as follows:—

This will acknowledge your letter dated 12th December, 1936, requesting information on the equipment formerly used in connection with Ross rifle.

In complying with your request I am forwarding herewith a complete list of machines showing brief general dimensions and capacities. Representative photographs are also attached.

And there is a list of the machinery, two pages of it, of the Ross rifle machinery that was then available.—A. Yes; and look at the numbers in front of some of the machines.

Q. Yes; 22, 36, 1, 37—A. 22 and 36 are very large machines.

Q. 14, 4, 3, 1, 14, 14, 13, 11—

Mr. HOMUTH: What is the number of that exhibit again, Mr. McGeer?

Mr. McGEER: Exhibit 92.

*By Mr. McGeer:*

Q. The rest of the numbers are 2, 1, 8, 1, 1, 1, 1, 2, 1, 1, 2, 1, 2, 1. That is the list?—A. Yes.



Q. Do you still say, after I have drawn exhibit 92 to your attention, that this is a true statement: "This machinery, which had been stored in Valcartier after its removal from Quebec, is suitable for the manufacture of machine guns, rifles and other small arms and had been intended for use in a government arsenal. It constitutes the bulk of the machinery which will be required for the fulfilment of both Canadian and British contracts." Do you still say that is a true statement?—A. I say that the statement is based on accurate information, I will refer you to exhibit 281—

Q. Yes?—A. —which is a memorandum to the minister from the Chief of General Staff, dated 27th January, 1936. In that he was discussing the question of arsenal—

Q. Did you have that statement before you before you wrote the article?—A. No. But now I find that what came out at the inquiry confirmed my information.

Q. I see.—A. What he said was this:—

Our greatest need is a proper arsenal capable of manufacturing up to 8-inch gun ammunition and large enough to supply our annual expenditure. We have no small arms factory and are therefore unable, as the Australians are, to manufacture rifles or machine guns. It was proposed to erect a small arms factory at Valcartier after the ammunition group had been completed; the majority of the necessary machinery is available from the old Ross rifle factory.

Q. That has nothing to do with the Bren gun?—A. It had. They were discussing there the manufacture of rifles and machine guns. The Bren gun is a machine gun.

Q. I will draw your attention to exhibit 14, which is a statement dated 29th December, 1936, which is a departmental record, showing the cost of plant and equipment using part Ross equipment and using all new equipment. The total value of the machinery using part Ross equipment is \$878,000, and using all new equipment the total is \$1,073,000, a difference for Ross rifle machinery equipment of \$200,000. I will go further with you and say that the evidence before this committee and the Davis inquiry shows that in the total cost of machinery, according to the departmental records, the value of the Ross rifle machinery that was available was less than \$200,000, out of a total cost of machinery of over \$1,000,000.

Mr. HOMUTH: Was it not \$280,000?

Mr. GREEN: \$209,872.

Mr. McGEER: The evidence of Mr. Hahn was that the cost of rebuilding and overhauling was something over \$39,000; and that the total value of the machinery, overhauled and installed, that was available from Valcartier was \$239,000; and the total value of machinery used was considerably over \$1,000,000.

*By Mr. McGeer:*

Q. How do you still say that the machinery stored in Valcartier constituted the bulk of the machinery required to produce the Bren gun under both the Canadian and the British contracts?—A. I have no reason to doubt that.

Q. You have no reason to doubt that?—A. No.

Q. Let me draw your attention to exhibit 26. These are all departmental records, Col. Drew. None of them were lost. Every one of them was produced. I refer you to the 4th page of that exhibit, the printed statement, a summary of the estimated cost of machinery and equipment: machinery to list and as per Enfield schedule (incl. tax) \$1,160,356.20; less machines substituted from "Ross" plant, \$239,884. The new machines, apart from Ross rifle machinery,

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total \$920,472 plus \$420,000 worth of dies, jigs, tools and gauges, making a total of machinery, tools, dies, jigs and equipment of over \$1,300,000. All the machinery that was available from the old Ross rifle plant was \$239,000. So instead of being the bulk of machinery required to produce the Bren gun for the Canadian and the British government, it was just about 10 per cent of the total?—A. Your figures are a little out. About 20 per cent, yes, on that basis.

Q. That is the evidence that went before the Davis inquiry.—A. Yes. But you know these estimates are rather interesting things. The first estimate Major Hahn made in regard to the cost of machinery was \$500,000.

Q. All right. These are departmental records. Have you anything, outside of that statement that you read to me, which was dated when?—A. In 1936.

Q. In 1936?—A. Yes.

Q. Have you anything else that you ever saw that justifies your statement in the magazine article?—A. Yes. I am telling you that we were told by those who were supposed to know—and I think did know—that the machinery, with the addition of certain necessary additions, was capable of turning out machine guns and rifles. I have read you the memorandum of the Chief of the General Staff in which he said the majority of the machinery required is available from the old Ross rifle plant. I cannot tell you how much of that old Ross rifle plant equipment is still down there or how much was brought up here. There is the statement of the Chief of the General Staff.

Q. I see. You are in some doubt as to whether or not we used all the Ross rifle machinery?—A. I have no way of checking that.

Q. No. But we have, have we not?—A. I do not know that you have.

Q. I mean, the Department of National Defence has?—A. The Department of National Defence has, yes.

Q. If you will refer to Mr. Elliott's evidence on page 157, he gives the capital machinery cost totalling \$1,108,000 and tools, dies and jigs, \$420,000, as the latest estimate we can get. We have Major Hahn's evidence that all of the Ross rifle machinery that was usable after overhauling and rebuilding at a cost of \$40,000, and installation, has a value of \$239,000. In addition to that, the tools, dies and jigs cost \$420,000, none of which were available at the Ross rifle plant at all. It is important in the light of this statement, Col. Drew.—A. Of course, tools, dies and jigs are not machinery.

Q. They are not machinery. But the point about this article—and I am going to read it to the committee and to you—is this: It was intended to convey to the people of Canada that, to put this Bren gun contract over, the Department of National Defence deliberately ignored the opportunity to use their own equipment which was available in Valcartier which "constitutes the bulk of the machinery" necessary to produce the Bren gun here. That was the intent, was it not?—A. It was intended to convey the impression, which I hope it did convey, that the Canadian Department of National Defence had given up control of machinery which was available to put into a Canadian plant owned by the government for the production of machine guns and rifles, which I think they should have done in accordance with the recommendation of the general staff.

Q. I mean, you were a government arsenal man. There is no doubt about that. You have told us that very clearly here to-day. You believe in the production of arms by government arsenals?—A. Yes, I do.

Q. And you were also of the school of thought that both the minister and the deputy minister have told us about, namely, that wanted government production; while there was another school of thought in the Department of National Defence that were opposed to that?—A. The minister himself says he believes in government production.

Q. He said he would like to do it if he had the money.—A. Yes.

Q. But he says he has never been able to get the government to produce the funds.—A. But he has not explained yet how it would have cost a copper more to make the same plant as a government plant than it is going to cost where they had to build a new plant and put up all the money for the machinery in Toronto.

Mr. MACNEIL: Hear, hear.

*By Mr. McGeer:*

Q. That may be true. But what I want to deal with here is this. You wrote an article in which, as a proponent of public ownership, you said, "This machinery, which had been stored in Valcartier after its removal from Quebec, is suitable for the manufacture of machine guns, rifles and other small arms and had been intended for use in a government arsenal. It constitutes the bulk of the machinery which will be required for the fulfilment of both Canadian and British contracts." In the light of the information that is now before you, do you say that that is a true statement?—A. I have no reason to question the fact that it is a true statement, if it had been kept under the control of the government, mark you this, that in this matter,—this is not an argument between private and public ownership, and that was not implied in the article. I am one of those who do believe that the royal commission on armaments was correct in England when they made the finding that the government should be able to produce all types of arms themselves; and I think in Canada they should. They had the opportunity to do it, and they have given up the machinery which was available for that purpose.

Q. What I want to point out to you is this, Col. Drew: Here was an article published to arouse the suspicion of the Canadian public against the Department of National Defence headed, "The following articles went to press on August 9. The author's statements are based on departmental records as of August 5." And the first statement I present to you is contradicted by the departmental records that were available at the time you wrote the article.—A. They are not contradicted by the statement of the Chief of General Staff. They are confirmed by it.

Q. But these statements are made up by the men who are using the Ross rifle machinery to produce the Bren gun.—A. All these are statements made up by men who were preparing statements for the private plant which had been created in Toronto.

Q. Yes, but they were the plant that were going to use the machinery that was available, stored in Valcartier from the old Ross rifle plant, to produce Bren guns in Canada. Do you say those statements are wrong?—A. I say that I know nothing of the details beyond the fact that those statements were produced as statements of estimates of cost of machinery. What the cost will be I do not know. But I do know this, that the machinery which was used by the Ross rifle company turned out hundreds of thousands of Ross rifles for this country. Whether they were good or bad is another matter. And the experience we had with that has taught a lot of us not to believe in the private manufacture of rifles for profit, or of machine guns.

Q. Do you know that all this machinery, after the Ross rifle plant was closed and demolished, was put up for sale? I will give you another departmental record. All the Ross rifle machinery at present stored at Valcartier—A. What exhibit is that, by the way?

Q. It is included in this.—A. May I have what exhibit it is?

Q. It is a departmental record.—A. If it is not an exhibit—do you mean to say it is not in evidence?

Q. I will put it in evidence.—A. Unless you go into the box, you cannot do that.

Q. I am going to put General LaFleche in. I will put it in evidence.

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Mr. DOUGLAS: It is not in evidence now.

Mr. McGEER: I am going to do that.

The WITNESS: Do not ask me questions on something that is not in evidence, please.

Mr. McGEER: It is not in evidence?

The WITNESS: Is it in the evidence?

Mr. McGEER: I am telling you—

Mr. DOUGLAS: Mr. McGeer is not a witness.

Mr. McGEER: —what exists as a departmental record.

The WITNESS: We have got on very well, Mr. McGeer. If you are going to examine me on a sheet of paper, it is either something that is in evidence now and which I have therefore an opportunity to check or it is not. If it is not, then I suggest you cannot examine me on it.

*By Mr. McGeer:*

Q. Do you know as a matter of fact that all the Ross rifle machinery at present stored in Valcartier or in use or stored at the John Inglis Co. Ltd., is included in surplus store list No. 7 and was offered for sale to the public in 1920?—A. I know that what actually happened was this, that after the extremely disastrous experience of the Ross rifle, they wanted to get rid of the squalling brat as quickly as they could; and they decided to sell the whole thing, and I believe they actually went to the extent of advertising the machinery for sale. Then very properly it was suddenly realized that that would be unwise to do, and all the machinery from the Ross rifle company was taken out, put in grease, and stored properly, and has been there ever since until it was used for this purpose.

Q. There is another point I wish to deal with. If you will remember you stated in the same article, "The total cost of the guns is expected to be about \$8,000,000"?—A. Yes.

Q. Where did you get that information?—A. From the press release given out by the Department of National Defence. It appeared in the *Globe and Mail* of the 5th of May.

Q. Did you see a copy of the press release?—A. I did.

Q. That is the one issued by the Department of National Defence?—A. I am talking about the notice in the press. I saw it in several papers. It is easy to work out that; it will be approximately \$8,000,000.

Q. As a matter of fact, the press release said nothing about it.—A. Nothing about what?

Q. About \$8,000,000.—A. That may be possible. The press release that was handed out was in an interview in which they gave certain additional information. That was part of the information, I understand, that it would be approximately \$8,000,000. The figure is taken from the newspaper announcements.

Q. Do you know there was a departmental record on the files as to what the press release was at that time?—A. Oh, yes, there is a good deal of information about that. As a matter of fact, the press release was given out that the two contracts had been signed. It was given on May 5 at a time when the British contract had not been signed. The British contract was not signed for two months and 13 days afterwards.

Q. Did you ever make a statement to the effect that your figure of \$8,000,000 was based on a press release issued on May 5 last by Mr. MacKenzie's own department?—A. I made the statement that—you mean—where was that made?

Q. Published in the *Montreal Gazette* on August 27, Colonel Drew's second statement. It is exhibit 6 in the Davis inquiry. Let me read it to you, the second paragraph:—

He now says: "Major Hahn's proposals were reviewed by the Department of National Defence and by the interdepartmental committee on control of profits. They were modified and in that form submitted to the British government." In other words, the Canadian government settled the basis of the two contracts and then submitted the proposal to the British government.

Which of these two statements is correct? I shall deal with his other statements in the order in which they were made.

1. The figure of \$8,000,000 used in my article in *Maclean's Magazine* and which he says is not correct was taken from a press release given out by Mr. Mackenzie's own department on May 5 last.

A. That is correct.

Q. I show you the press release taken from the files of the department and dated that date.—A. The written press release does not contain that figure. You will find that the statement giving the figure came following an interview.

Q. Now listen, Colonel Drew, are you not going very far when you ask the committee to say that you believed that this statement referred to a verbal release?—A. Mr. McGeer, I know that you and I know enough of press practice to know perfectly well that responsible newspapers giving that information in regard to two contracts did not guess at the figure of \$8,000,000. All the newspapers of this country used that figure at the time. And the only information they had was a press release given partly by interview and partly by a written statement handed out at that time.

Q. What do you think a press release means, and do you now differentiate between a press release dated in May and a release given out verbally?—A. Mr. McGeer, I, of course, did not have the opportunity of having had one of these handed to me. The papers of this country uniformly reported the same report from the Department of National Defence on May 5 last year stating that the contract was going to involve \$8,000,000 and giving the first information that had been given by the Department of National Defence with regard to the contracts. As far as that is concerned, the figure works out to be about correct. I do not think that anybody will quarrel very much with it.

Q. We do quarrel very much because we have the latest estimates given to us by Mr. Fraser Elliott, compiled from the information of the department and shown on page 157, that the total cost of the guns was \$6,966,000.—A. Just a minute. The total cost of the guns was \$6,900,000, and the cost of the machinery to date is already over \$1,100,000, so that makes \$8,000,000 right there.

Mr. GREEN: Do not deal with that figure.

Mr. McGEER: I want to deal with this figure as he has dealt with it. Was that the basis upon which you made your compilation, Colonel?—A. You read that figure and I asked you a question.

Q. And then you asked me what was the total cost of the gun and I told you for the two contracts \$6,966,000, according to the evidence at page 157. Then you asked what is the cost of the machinery.—A. Yes.

Q. And I said to you, "\$1,108,000."—A. Is that in that figure or is it additional to it?

Q. You stated that that figure added to the cost of the guns gives more than \$8,000,000.—A. I am not a mind reader; I have asked you a question.

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Q. All right, here are the figures:—

Preliminary expenses .....	\$ 20,000
Capital machinery .....	1,108,000
Preparatory overhead .....	124,985
Tools, dies, jigs, etc. ....	420,000
Production costs .....	3,985,000
Cost of spare and component parts .....	1,307,000

The total is \$6,966,000.

Mr. GREEN: Mr. Chairman, Mr. McGreer has stated that this is the total cost according to the evidence that was given to us here by Mr. Fraser Elliott, but in order to keep the record straight, and I think in justice to this witness, you will remember that these figures were all very carefully gone into by the committee for more than one day, and to that figure there were added these other figures. Starting with the first figure of \$6,966,210 there was the cost of the Ross rifle machinery, \$209,872; then the profit of \$450,000, and the royalty to the Czechoslovakian firm of \$180,000, making a total of \$7,806,000. Then in addition to that there was evidence that we were to pay, I think it was, one-tenth, or some percentage, of the licence that is paid by the British government, and which I think works out at about \$30,000. That was the evidence of the total cost as given to this committee.

Mr. MACNEIL: And the tripods.

Mr. GREEN: Mr. Fraser Elliott agreed to that, and in addition to that there were tripods and other necessities which the minister said would cost \$1,992,400, making a total of practically \$10,000,000.

Mr. MCGEER: What I am dealing with, Mr. Chairman, and I would like the committee to recall it, is the article. It was not an estimate of cost, it says, that the information is based upon the departmental records as of August 5, 1938.

The WITNESS: That is not what the article says.

*By Mr. McGeer:*

Q. Well, I will ask the committee to deal with that later on. Now, you did not say anything about the fact in that article, when you were talking about costs of \$8,000,000, that the Canadian government was going to benefit very substantially by the amounts of money contributed by the British government for the cost of the machinery, did you?—A. The details of how this was going to be worked out are very carefully explained, about the fact that the British government is going to contribute, and so on.

Q. You say, "The total cost of guns is expected to be about \$8,000,000. As an incident of this joint arrangement, substantial profits are to accrue to the John Inglis Co. Limited and its promoter, Major James Emmanuel Hahn, of Toronto."—A. Well, you do not question that, do you?

Q. Well, I think if I wanted to be fair I would not write such an article, I would say something of the advantages that were going to accrue to the Canadian people, and if I wanted to be honest and truthful I would be careful to do that.—A. I was very careful and honest and I think it would be wise not to suggest otherwise until you have some evidence in support of it.

Q. We have quite a bit.—A. You have not any.

Q. The next point I want to draw your attention to is this: A proper examination of the departmental records would have shown that the expected cost to Canada was \$3,343,000, and at the close of the British contract Canada would have had title and ownership to machinery valued at \$1,160,000 less the 10 per cent depreciation for four years.

Mr. MACNEIL: Where does that appear?



Mr. McGEER: We worked that out with Mr. Fraser Elliott.

Mr. GREEN: Yes, and we came to different conclusions on that.

*By Mr. McGeer:*

Q. The departmental record would show that we would get the benefit of the value of machinery amounting to \$696,000, reducing the cost of the guns to Canada to \$2,647,000 and we would also have in that cost a complete set of jigs which cost \$420,000.

Mr. GREEN: Mr. Elliott said they would be useless at the end of that time.

Mr. McGEER: No, he did not say that at all. He said you would have to have good jigs to produce the last gun, and there was not any reason for believing that the jigs would all be worn out.

The WITNESS: They would have to be good to the last drop.

*By Mr. McGeer:*

Q. It would not be quite worked out on the technical science of the one-horse shay.—A. But, Mr. McGeer, in regard to that, this quite clearly states that it does not refer to the Canadian contract. It says, "As an incident of this joint arrangement." It makes it clear that in referring to the total cost it is in regard to the joint arrangement for both the British and Canadian guns.

Q. "As an incident of this joint arrangement, substantial profits are to accrue to the John Inglis Co. Limited and its promoter, Major James Emmanuel Hahn, of Toronto." Where do you say any benefit is going to accrue to the Canadian government or to the Canadian taxpayers?—A. I do not believe there is; I believe it is very contrary to the interests of the Canadian public.

Q. And that was the idea which you intended to convey to the Canadian people when you wrote this article?—A. I certainly intended to convey to the Canadian people that this was an example of exactly the type of abuse of the private manufacture of arms which I and others had been opposing in this country for a great many years.

Q. And hopeful of getting support for your idea, which was a political cause.—A. There is no suggestion of that.

Mr. HOMUTH: Now, now.

*By Mr. McGeer:*

Q. Whether it was political or done as a crusader thinking only of the defence of Canada, it is there. Let me read you this:—

The Canadian government undertook to deliver to the company, and install at public expense, the machinery the government acquired some years ago from the Ross rifle company. This machinery, which had been stored at Valcartier after its removal from Quebec, is suitable for the manufacture of machine guns, rifles and other small arms, and had been intended for use in a government arsenal. It constitutes the bulk of the machinery which will be required for the fulfilment of both the Canadian and British contracts. The total cost of guns is expected to be about \$8,000,000. As an incident of this joint arrangement, substantial profits are to accrue to John Inglis Co. Limited and its promoter, Major James Emmanuel Hahn, of Toronto.

That was intended by you to convey to the public that there was a deliberate refusal on the part of the Department of National Defence to use machinery and equipment that was available to set up in the main a public arsenal for the production of Bren guns.—A. That is not the correct interpretation of what you have read, but I am prepared to accept your word. It was a refusal

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of the government of this country to accept the recommendations of the general staff clearly stated over and over again, right up to the time almost that this contract was signed, that this machinery should be used in a government arsenal.

Q. The next item in the article is down at the bottom of column 1:—

The Canadian government pays two-thirds and the British government one-third of the cost of the installation of all machinery and putting the plant in operation. The ownership of the machinery is to remain with the government.

A. Quite.

Q. Why did not you tell all the facts in connection with that? If the British government was paying one-third and the Canadian government was paying two-thirds and the ownership was to remain with the government, would not the ownership have been one-third with the British government and two-thirds with the Canadian government?—A. Well, Mr. McGeer, you may have greater clarity of expression than I have, but I used the singular—"the government"; and I imagine that would be taken by anybody to mean the Canadian government, and that is the expression I used time and time again.

Q. Why did you not put the words "Canadian government" in? Why did you not put in the word "Canadian"?—A. I think it is perfectly clear as it is.

Q. It is perfectly clear the other way. If I wanted to conceal the fact that the Canadian government was going to own all that machinery without deliberately saying so I would write the article the way you have written it, and so would every journalist in this room.—A. I am afraid you have not the same ideas of journalism as I have. I have the idea of correctly conveying the impression, and when I mean that the ownership would be with two governments, I say so. I said the ownership would be with "the government", and in Canada the government is the Dominion of Canada in this case.

Q. What you say is this: "The Canadian government pays two-thirds and the British government one-third of the cost of the installation of all machinery and putting the plant in operation. The ownership of the machinery is to remain with the government."—A. With the government—singular—yes.

Q. I do suggest that if you wanted to inform the people that the one-third which the British government was paying was going to accrue to the Canadian government you could have very easily said it was going to accrue to the Canadian government.—A. I have made my answer, and I think it is perfectly clear.

Q. Your only explanation for that is that you thought that conveyed the proper impression.—A. And I think it does now, yes.

Mr. GREEN: I think the last sentence of that paragraph should be read also.

Mr. McGEER: "It is claimed that there is a substantial saving in the total cost of the guns because of the two contracts being signed at the same time;" what about that, that has nothing to do with it.

Mr. GREEN: It goes to show that Col. Drew was trying to be fair there.

Mr. McGEER: This is what he says, "It is claimed that there is a substantial saving in the total cost of the guns because of the two contracts being signed at the same time."

Mr. GREEN: So there were.

Mr. McGEER: But he just stated a moment ago that there were no benefits under this contract to us at all.

The WITNESS: Mr. McGeer, there is a concrete example of misrepresentation of what I said. You asked me the question if I thought the Canadian public were going to benefit from this contract, and I said no. I did not suggest that there would be no financial benefit because of the joint contracts being signed.

I said then, as I said before, that the same benefits would have accrued if Canada had done what the British wanted her to do in the first place and made these guns in a government plant, and the same benefits could have been secured if the Canadian government had done what the British government wanted them to do in the first place and made them in a government plant; and the same benefit would have accrued had the contract been given on similar terms to any other private manufacturer in Canada who got the business

Mr. MACNEIL: We would have received the same benefits.

The WITNESS: Exactly the same benefits, and it is probable that they would have proceeded more rapidly than they did.

*By Mr. McGeer:*

Q. This was all the essential details given to the House of Commons about one of the finest contracts that has ever been signed in the public interest of Canada; you don't agree with that?—A. What?

Q. I repeat, "these are all the essential details given to the House of Commons about one of the finest contracts that was ever signed in the public interest of Canada"?—A. You are reading from what I quoted. I quoted the expression of the Hon. Mr. Mackenzie that it was, "one of the finest contracts that was ever signed in the public interest of Canada".

Q. You quoted that sarcastically?—A. Very sarcastically.

Q. And you also put this statement in sarcastically too; "it is claimed that there is a substantial saving in the total cost of the guns because of the two contracts being signed at the same time," that was also sarcastic?—A. No, that was not sarcasm.

Q. It is only sarcasm when you want it to be, but not when you don't. Now, we come to the second column:

The contract itself, and what lies behind the formation of Canada's new armament industry, are matters of public concern, because this company accepts the responsibility and becomes the only source of the essential arms for Canada's land forces.

What are the essential arms of Canada's land forces?—A. Small arms.

Q. That includes bayonets and hand-grenades?—A. No, bayonets are not small arms.

Q. They are not?—A. No.

Q. Hand-grenades are?—A. No, hand-grenades are munitions.

Q. Are they not essential arms to Canada's land forces?—A. No, the term "arms" has quite a clear meaning, it means things that fire or cut; but quite clearly in military matters the word "munitions" means such things as hand-grenades, shells and things of that kind.

Q. Arms are things that kill, aren't they?—A. The bayonet is an arm, but not a small arm in the sense that the words are used as a military term.

Q. Well, you did not use the term small arms here at all in what you have said.—A. The bayonet, I may tell you, is not an essential arm, it is still a rather decorative piece of equipment which is more of a nuisance than it is useful in most cases.

Q. I am informed by the technical officers of the department that the essential arms of the land forces today are bayonets, hand-grenades, anti-aircraft guns, anti-tank guns, field guns, heavy field guns, coast defence guns, and all types of other artillery, trench mortars, tanks of all kinds including machine gun carriers, and then relative other transportation facilities that are now directly operating in connection with the movement and the use of arms.—A. Are those the things that are wanted by the Department of National Defence?

Q. Those are what I am informed are the essential arms of Canada's land forces.—A. Needed now?

[Lieut.-Col. George A. Drew, K.C.]



Q. Needed now.—A. That is exactly what I was telling you last night.

Q. But I am talking about the John Inglis company accepting the responsibility of the company as the only source of the essential arms of Canada's land forces?—A. Well, it is perfectly clear from this article that the arms that they were going to make were rifles, machine guns and pistols, and obviously if that contract were put into operation on the production of the essential arms—there has never been any confusion as to what was intended to be made in that plant.

Mr. GREEN: Major Hahn told us that he could make all these others too.

The WITNESS: All through his evidence he stated that he could make tanks and bombs and pretty near everything there.

Mr. GREEN: Yes.

*By Mr. McGeer:*

Q. When did he assume the responsibility of becoming the only source of the essential arms?—A. Well, as far as this is concerned, the only place in which there will be equipment for the manufacture of the Bren machine gun and Enfield rifles in this country will be the Inglis plant, and there certainly is not the slightest chance that the government is going to sign a contract with some other contractor at a time when this plant is in operation.

Q. Are you aware that Mr. Elliott gave this committee evidence to the effect that this contract was specifically drawn so that there would be no future entanglements or implications?—A. I suppose you are referring to the fact that at the last minute there was a change made limiting it so that it would be an inclusive contract.

Q. No.—A. He did give evidence to that effect. I will quote his evidence at page 288.

Q. Do you know what Major Hahn had in his mind?—A. I know the wish he had in his mind.

Q. There was certainly no provision in this contract, no obligation for any further contract?—A. No, we guarded against that, that is the point. This was a specific contract, and eliminated all future entanglements.

The WITNESS: But you understand that the contract provides that the machinery that is put in there will be capable of producing the Enfield rifles.

Mr. GREEN: I think that the quotation Mr. McGeer made should have included a question by myself which immediately precedes that, and also a question by me which follows. I said before that:—

Q. You thought there would be probable future contracts?—A. Probable future contracts. We possibly thought that.

Q. It is borne out by the other remarks contained in Exhibit 56.—A. I would not doubt they would be there.

Q. Showing Major Hahn thought of that also?—A. I have no doubts those remarks are in the evidence.

And then, just following what he read, I said:—

Q. You were trying to protect yourself in case of future contracts?—A. So there would be no entanglements by reason of this contract that would hamper us in the future.

Mr. GOLDING: Just in order to keep the record straight. A short time ago Mr. Green put on the record the cost as he had summed it up, and he said that Mr. Elliott agreed with that. I want to ask him, that he put on the record now, where Mr. Elliott agreed to that statement, the point at which Mr. Elliott said that he agreed to it.

Mr. GREEN: We can look it up for you.

Mr. GOLDING: Do it now.

Mr. MACNEIL: This has nothing to do with this witness.

Mr. GOLDING: Never mind, that should go on the record.

Mr. MACNEIL: It is on the record.

Mr. BROOKS: Let Mr. Golding find it and put it on the record. He is a member of the committee.

Mr. GOLDING: Mr. Green made a statement, and it was not accurate.

Mr. GREEN: I made a statement that is perfectly accurate; it is on the record.

Mr. GOLDING: Find it, and put it on the record for us again.

Mr. McGEER: I would like to draw to your attention, Col. Drew, the inter-departmental committee when that matter was under discussion—and it will be found at page 5 of exhibit 63 under date of February 25, 1938—

Mr. GOLDING: I want to say now that I cannot find that statement; as far as my memory goes he did not agree to that at all. I want Mr. Green to put it on the record now.

Mr. MACNEIL: There is lots of time.

Mr. GOLDING: I want him to indicate where Mr. Elliott made that statement.

Mr. McGEER: In any event, Mr. Green has already told us that he will look that up, and he will give it to us when it is available.

Mr. GREEN: There is no question about it. He went into these figures and they were checked up by him very carefully.

Mr. McGEER: I only say that when it is available you can get it. You can present it to the committee before its final meeting. I am not objecting to your producing anything you have got.

*By Mr. McGeer:*

Q. I want to refer you to Exhibit No. 63 of the meeting of February 25th on page 5:—

When Doctor Clark asked if it would be possible for the war office to deal with other companies, the chairman stated that he knew that the war office officials will not countenance taking the matter up with any other firms. Mr. Elliott then stated that he agreed to giving John Inglis company the contract, if it was made a specific contract, with no future rights. The chairman then asked if the committee agreed with Mr. Elliott's views, making certain reservations concerning limitation of future rights, and taking over by arbitration, and Doctor Clark said he thought there would be general agreement.

Now, that is the departmental record that was available as to the limitation of this contract to a specific unit of 7,000 guns.—A. For the Canadian government.

Q.—for the Canadian land forces, that is the word you used; that is all there was in this contract?—A. Oh no, there was a great deal more in the contract than that. There is the provision in the contract that the machinery shall be installed in such a way that it can make Lee Enfield rifles, and I do not think anyone is going to suggest for a moment that when one plant was equipped to make Lee Enfield rifles in this country that the government was going then to go ahead and make another contract for the manufacture of rifles.

Q. Now, might I draw your attention to this fact, that Mr. Elliott then stated: "That he agreed to give John Inglis company the contract, if it was made a specific contract, with no future rights. The chairman then asked if the committee agreed with Mr. Elliott's views, making certain reservations concerning

limitation of future rights, and taking over by arbitration, and Doctor Clark said he thought there would be general agreement."

And section 17 of the contract does provide for the taking over by arbitration.—A. There is no question about that.

Q. And that evidence coupled with the restriction clause, shows that Canada has a source of supply for Bren guns, and anything that can be made with this machinery by taking over the plant and operating it itself; does it not?—A. I am afraid the question is not clear.

Q. All right, I do want to be fair with you.—A. I know, but, Mr. McGeer—

Q. I don't want to be unfair with you, in this way?—A. But you make it difficult, you make a long statement and say is it not so; I will be very glad to answer a direct question.

Q. You see, Col. Drew, this is going to be considered by this committee when we get all the evidence in?—A. Quite.

Q. And I think it is only fair to you that I should show you some of the things that I think are questionable in this article, because we are going to deal with them when you are not here and when you will not be able to speak.—A. Personally I would have thought the interest of this committee would have been to deal with the contract and find out what is going to be done in the interest of the Canadian public.

Q. We have done that. You may be as sound in your opinion as anyone in the Department of National Defence is— —A. I am not suggesting that for a moment.

Q. I have gone very carefully through this evidence.—A. You were asking me in regard to that particular statement I made, and my statement is perfectly clear having regard to the contract, that my opinion then was and still is that because of the fact that the contract provides that at the cost of the government in this case the machinery put in is to be capable of making Lee Enfield rifles in addition to Bren machine guns, and also would be, of course, capable of making pistols and so on; that it does give in respect to this particular weapon the exclusive right to this company, no matter what wording there may be to the contrary effect.

Q. You see, when you read this wording:—

The following article went to press on August 9. The author's statements are based on departmental records as of August 5.

And then we get, "the contract itself, and what lies behind the formation of Canada's new armament industry, are matters of public concern, because this company accepts the responsibility of becoming the only source of the essential arms for Canada's land forces." And now, I say to you that that statement according to the contract and the departmental records is false?—A. I say then that you do not understand the contract.

Mr. GREEN: Hear, hear.

Mr. McGEER: Well, that is all right.

*By Mr. McGeer:*

Q. Where under the contract does this company assume the responsibility for becoming the only source of the essential arms of Canada's land forces; I ask you to show me any clause in the contract that is open to that interpretation?—A. Well, in the first place, I have defined, rightly or wrongly, what are comprised within the term, essential arms for the land forces, as meaning small arms, such as rifles, machine guns and pistols, which as you know would constitute the largest proportion at any time. And in this contract there is a provision that in the installing of the machinery in this plant, which is at government expense, the machinery shall be suitable for the production of Lee-Enfield rifles.



Mr. BROOKS: Reference to that will be found on page 4, paragraph 3 (A) of the contract.

The WITNESS: That paragraph provides:—

There will be installed, as hereinafter provided, in the buildings made available by the party of the second part the machinery, tools, dies, jigs and gauges necessary for the manufacture of the said Bren gun in accordance with Exhibit "A" attached and forming part of these presents, it being expressly agreed that the machinery therein mentioned when so installed shall be capable of being utilized to produce Enfield rifles, pistols and other small arms, as well as parts and components thereof.

Q. Yes?—A. Now, I still hold exactly the same opinion, that if the Canadian government has undertaken to pay the expense of the installation of machinery which shall be capable of being utilized for the production of Enfield rifles, pistols and other small arms, which comprise at least a majority of the weapons essential to the land forces of this country, then it does, in effect and very effectively, become the sole source of supply for these arms because there cannot be the slightest chance that the government could justify its going to some other place and starting up another plant while this plant has already been made available at public expense.

Q. And you say that that was a fair statement to the public, notwithstanding the fact that the public men, paid servants of the government, in the form of the interdepartmental committee, have recorded as a part of the departmental records of their work, that this contract was to be limited to the specific contract of 7,000 Bren guns for the Canadian government, and that there was to be a restricted clause under which the government could take over all the plant, machinery and equipment involved in the contract?—A. I think it is fair and accurate, and the natural interpretation of the contract.

Q. Well then, the man who drew this contract must have intended to practise deception by stating that it was to be limited to 7,000 guns; because, you see, the only interpretation of the contract in its implications is to make the John Inglis company the sole source of supply of the essential arms of Canada, of Canada's land forces; is that right?—A. I say that is the result of the contract; and no matter what their intention may have been, that is the effect of the contract.

Mr. BROOKS: This does not prohibit future contracts?

The WITNESS: Oh, no.

Mr. BROOKS: To the John Inglis Co.

Mr. McGEER: But there are no future contracts yet.

The WITNESS: Not yet.

Mr. HOMUTH: But there is still a future.

Mr. GREEN: Not yet, but soon.

Mr. BROOKS: It does not prohibit future contracts with the John Inglis Company.

*By Mr. McGeer:*

Q. Do you think, Col. Drew, that if you were to become Minister of National Defence, you would be bound to get the essential arms of Canada's land forces from the John Inglis Company?—A. If I became Minister of National Defence, I would cancel this contract within five minutes of the time I got in the office.

Q. Of course you would.

[Lieut.-Col. George A. Drew, K.C.]

*By Mr. Slaght:*

Q. The British war office branch of it as well?—A. You know perfectly well, Mr. Slaght, that I cannot cancel a contract or you cannot cancel a contract with the British war office.

Q. You know they are interlocked in every possible way. If you cancel one you destroy the other.—A. I know perfectly well that the British war office would only be too happy to be dealing with a government plant here as they are in England.

Q. Produce anything that supports that statement.—A. If you will go through the evidence, you will find all the way through that the original licence which the British government had only permitted the granting of a sub-licence to a government plant; and it was only at the instance of the Department of National Defence in Canada in June of 1937—in fact, I think June 8th was the date—that they visited the war office and a request was made to the company at Brno to change that in favour of granting a licence to a private company.

Q. True; and the British war office did procure a change in it, approved the present contract, and asked the Canadian government to speed up the making of this contract in order that production might be got along with. You know that?

Mr. HOMUTH: Two years later.

The WITNESS: I know; and not only would I cancel the contract, but I would notify the British war office that I was putting real experts in charge and could assure them of fast delivery.

*By Mr. Slaght:*

Q. You mean by real experts that you would throw out Mr. Gillespie, who is said to be the greatest expert from the war office?—A. I do not say anything of the kind.

Q. What do you mean by saying you would put in real experts?—A. In charge of this, not four employees in a legal office as four of the seven directors.

Q. Is Mr. Gillespie not a real expert?—A. Mr. Slaght, you and I are not in any doubt as to the fact that the people who run the company are the directors; and the directors of this armament company consist of Major Hahn; two men who are his employees, Ainsworth and McLachlan; and four office employees of Plaxton and Company, three young girls and a boy who is just through law school. Those are the directors of this company.

Q. Have you read the evidence that the production under this contract is in excess of requirements? Have you read the certificates of the Bank of Montreal giving Major Hahn the highest credit rating that a man could ask? And have you read the evidence of Sir Harold Brown who says that he has, in effect, complete confidence in Major Hahn and his executive ability to carry out this contract? You still make that statement to besmirch a contract which involves as supplementary to it the production of Bren guns for the British war office?

Mr. HOMUTH: Oh, now, now.

The WITNESS: If the Canadian government took over this plant, there would not be the slightest doubt that the British government would be glad to continue the purchase of the guns they have ordered.

*By Mr. Slaght:*

Q. Did you not try to close the plant for four months?—A. You know perfectly well I did not.

Mr. HOMUTH: Are they behind?

Mr. SLAGHT: They are ahead of schedule.

Mr. HOMUTH: Then there is no delay. You have been talking about delay for months and how this inquiry has held up production of the Bren gun.

Mr. SLAGHT: In answer to the gentleman talking about delay, you have heard me talk about delay. I quoted to the House of Commons the evidence of Mr. Gillespie who said that the company under contract is more than ahead of its obligations. The only delay I have spoken of is the delay in bringing in millions of British money into this country because of you gentlemen trying to cancel the contract and close the plant.

The WITNESS: Since that statement has been made, let me say this, that this country has not lost one dollar's worth of business. Let me say this, that many millions of dollars worth of business—far more than the Bren gun contract—has been placed in this country since this inquiry took place.

*By Mr. McGeer:*

Q. You do know that all the information that you have disclosed about the iniquity of this contract has been available to the British war office, do you not?—A. Certainly. This magazine is sold on the streets.

Q. They have made an answer to your charges and innuendoes, have they not? Did you know about that?—A. No; and you do not either, because it has not been produced here.

Q. Would it surprise you to know that there has been a very effective answer made?—A. I know perfectly well that there are certain statements in regard to the question of production here that do not in any way interfere with the statement here.

Q. I am talking about the faith and the confidence that the British war office have in the John Inglis plant after your inquiry was completed?—A. Mr. McGeer, Major Hahn went to England with backing that was absolutely unique. The minister swore in the witness box that no other manufacturer from Canada ever went there with similar recommendations; and it would be an amazing thing if the British war office did not have complete confidence in Major Hahn in the face of the statement by the Minister of National Defence of this country.

Q. I just wanted to let you know that the British war office have so acted as to leave no doubt in the minds of anybody that they have completely ignored all your charges and innuendoes and everything that you have alleged in this inquiry, and acted quite contrary to what you suggest should be the proper course.—A. Then, if they have completely ignored it, any statement that business has been lost to Canada is sheer and utter rot.

Q. Well, we will see how much sheer and utter rot there is in it.—A. You have said that they have completely ignored the statement; so consequently if they have ignored it, it cannot have affected their attitude.

Q. I have said they have ignored your charges and innuendoes against the Bren gun or against the John Inglis Company and this contract.—A. Then the reason they are not dealing with this country must be because of lack of confidence in the Department of National Defence. There could be no other reason.

Q. No. I think it is probably lack of confidence in prominent public men who have no sense of restraint when they want to put their own ideas across.—A. Mr. McGeer, you know perfectly well they are not making contracts with me or with you.

Q. Yes.

Mr. HOMUTH: I rise to a point of order, Mr. Chairman.

Mr. McGEER: But they were submitted to the humiliation to which they were submitted.

[Lieut.-Col. George A. Drew, K.C.]



Mr. HOMUTH: I rise to a point of order. Mr. McGeer is leaving the impression that we members of the house here would have something to do with contracts that the British government might give to private firms in this country. We have nothing to do with that. This happens to be a contract that the Canadian government is involved in. We have nothing to do with contracts given to private firms in this country.

The WITNESS: Let me point out that millions of dollars worth of new business has been placed for aircraft in this country, according to press announcements, since the time this inquiry was instituted, by Great Britain; and companies in this country are now making aircraft in this country in large quantities.

*By Mr. Dupuis:*

Q. Would you mention one company?—A. The National Steel Car Company.

Q. That was before the investigation?—A. No. They have had orders since.

Q. Will you give the date that was awarded?—A. I beg your pardon.

Q. Will you give the date when that was awarded?—A. They have had orders since then for machines of the latest fighting type. They are at the present time under construction—fighting machines. Perhaps I had better not give the name, but they are the latest type of fighters for Great Britain. I can give the names if you want them.

Q. But Col. Drew, you know perfectly well that there were discussions between the war office and the Canadian companies before your article was published?—A. Yes, that is quite right. But let us look at the sequence of events. They sent a commission over here last spring; they negotiated with the department, and then went back without actually accomplishing anything. Then at a later time an arrangement was made whereby a group of Canadian manufacturers formed a sort of holding or controlling company; and that company then dealt directly with the British war office and the contracts were let; those contracts have been let actually since publication of this article.

Q. As a matter of fact, this discussion that occurred after your article was only for the purpose of the details of the contract?—A. Oh, the contracts were not let until this company was formed. The company was formed and the contracts were let after that. There were no contracts before. There was simply a committee of investigation that came out before that time, and then Canadians actually sent their representatives over to England and they were there, as a matter of fact, long after this article appeared, and they took contracts after that. At the present time they are making in Canada—and it is a splendid thing for Canada—machines of the very latest type for the British government. That is the sequence of events.

Q. You mean a Canadian aircraft company? Which company do you mean?—A. There is a group of companies, as you know. Actually the contracts are made with one.

Q. You mean the Canadian Associated Aircraft?—A. Yes, with the Canadian Associated Aircraft.

Q. You know perfectly well that the different companies whose directors were interested in forming that new company were in discussion in England with the war office about the obtaining of contracts, at the request of the British government; and as a matter of fact, you know very well that they came here; a delegaton of the British war office came here?—A. Right.

Q. To obtain that; and that was previous to your article?—No. They came here to survey the situation; and following that, this arrangement was set up so that there could be one directing company.

Q. Yes.—A. Handling the affairs.

Q. Yes.—A. And that company had been carrying on, and contracts are still coming in; and that is bringing in a lot of business to this country, actually worth many, many times the amount involved in the Bren gun contract.

Q. Col. Drew, I had to interfere as a member of this committee, just to straighten out certain points. I know that you are a Canadian and love your country just as much as we all do; but we all have a different point of view. Suppose you were a man in the street and happened to pick up *Maclean's* magazine; if you read that article and believed on the face of it that it was true, do you think it would help? What effect do you think that would have on the mind of the common people? Do you think it would help the government? Do you think it will help the Department of National Defence if I believe that this is true? Do you believe it will help our country and even the Empire? What is the general effect and the tend of thought after this article has been read and spread among the public? As a Canadian citizen, as a man in the street living among the people, I say the effect is disastrous; and as a Canadian I am very sorry that this article has been written. Mind you, I am one of those in the province of Quebec who happen to read *Maclean's* magazine. The president of the magazine, Mr. Hunter, yesterday said that he had had great appreciation of the Canadians of Quebec. We do not need any undue flattery to perform our duty. But on the other hand, we have read the article; and the effect in the province of Quebec, as it was all over the country and even overseas, was very bad. That I can tell.

If I speak about the time these contracts were under discussion it is because I know what happened before. I know that the Fairchild Aircraft and other Montreal concerns were in negotiation with the British war office long before your article was published. So I think it is only fair for you to say that if the contract was entered into months after your article, nevertheless, negotiations had started long before that time.—A. That does not in any way affect the fact that the contracts were made after this article appeared; and the war office was not bound to do anything. It was not bound to sign any contract. They had not actually signed. But as you were suggesting that this would have a disastrous effect—

Q. Sure it would.—A. The only disastrous effect it could possibly have would be to indicate that there had been something very wrong in the way that this particular contract was dealt with; and as a matter of fact, I am rather inclined to think that you agree with me—I do not think we are very far apart—in the fact that there should be no profiteering in the need for rearmament; and that is my main point. That is my point here. As we go on with the article, you will find that what I pointed out was this, that here was a company that had not even an existence so far as a going corporation was concerned at the time it got the contract; that of the men who got the contract only one of them was even an experienced manufacturer; that none were skilled in precision steel and that they got watered stock to the extent of over three-quarters of the whole stock issue of the company of approximately \$1,200,000. That is the point.

The CHAIRMAN: May I interrupt—

*By Mr. McGeer:*

Q. And that is the situation you wanted to convey to the public in this whole article?—A. And it is the situation which exists to-day.

Q. That instead of being a bona fide machine gun production under a contract sanctioned by the British war office, it was a stock promotion for profiteering that had been developed with the knowledge and approval of the Minister of National Defence and the Deputy Minister?—A. Mr. McGeer, you will find quite clearly in the evidence the rather surprising fact that the Minis-

[Lieut.-Col. George A. Drew, K.C.]

ter of National Defence swore that right up to the time the inquiry started he did not ever know who the directors of the company were nor did he know anything about the stock set up.

Q. And therefore you make no accusation against the minister?—A. I make the accusation against the minister that it is negligence beyond belief that he made a contract of this kind with people whose identity he did not know.

Mr. GREEN: Mr. Chairman, a while ago Mr. McGeer quoted from the minutes of a meeting of the interdepartmental committee on February 25, 1938. I think, in order to keep the record straight, there should be something further quoted from those minutes. At the bottom of page 3, Mr. Fraser Elliott, dealing with this question of whether or not there were likely to be future contracts given to the Inglis Company said as follows:—

Mr. McGEER: What page?

Mr. GREEN: The bottom of page 3.

Mr. MACNEIL: Exhibit 63.

Mr. GREEN: This is a record of what Mr. Elliott said:—

He drew attention to the fact there was only one possible manufacturer, and mentioned the phrase "exclusive licence to manufacture" in the first clause of the contract, stating that, after signing this contract, the Crown could not give a contract to any other persons. Mr. Elliott stated that this contract might lay the foundation for the manufacture of Canada's armaments for many years to come, and that having regard to an all time contractual relation, he considered that the 10 per centum of all costs was very high, going on to state that there were many contractors who would like to have this contract because of the future rights in it for all time to come, but if the above is over-ridden by the urgency of the moment, Mr. Elliott agreed that the committee go into the terms of the contract, but that he objected to the word "exclusive" in the second line of the section numbered 1.

Section 16. Mr. Elliott thought that an assignment, with the consent of the party of the first part (the Crown) might have latent in it the possibility of capitalizing the future contracts that the government—

It says here "government," but I think that is meant for "company." It does not make sense with "government." However, it reads "government" here. Continuing:—

—the government must get and to capitalize those future rights, and sell them to the public is a means of bringing home the future profit in large measure to those who sign the contract.

That shows quite clearly that he considered that the Inglis Company were in a very advantageous position as compared with other manufacturers.

The CHAIRMAN: I wonder if we could agree to permit continuing the taking of evidence from the witness, leaving any corrections we may wish to make until afterwards.

Mr. GREEN: There is only this point I wish to make, Mr. Chairman. As Mr. McGeer goes over the paragraphs in the article, I think it makes it far easier if the paragraphs are dealt with as such, because he might quite inadvertently quote a reference from some of the exhibits and then there may be other references; or the same thing may happen in the evidence that has already been taken before this committee. I think it is only fair that the situation should be kept as clear as possible as we go along. I think that is the procedure we have been following all the way through the sittings of the committee.

Mr. McGEER: Now that we have put that in, I think we might as well complete that phase of it, because the part of the evidence that Mr. Green has



referred to is the part in which the interdepartmental committee discussed the need of eliminating the exclusive licence feature, the right to assign with the consent of the government, because that might imply future contracts. Then he goes on to say—

Mr. MacNEIL: What page is that?

Mr. McGEER: Page 4, continuing right on:—

Mr. Elliott stated that there was a real question to the public in the fact that the chairman now tells the committee that there is great haste for guns, a national need. The committee find the following facts: That the contracts had been made with the John Inglis Company in the fall of 1936 and partially developed when this committee first met the situation. "When we met the John Inglis contract and met you, we were impressed by your statements of the need of haste. Was not the need there equally about a year ahead, and if it was there, why not start competitive bids for the manufacture of an article, not only a gun. I suggest there is a question there that needs an answer."

The chairman states,—"I have repeatedly pointed out that the early stages were begun five or six months before this committee was created, and the negotiations with this department, but particularly with the war office, had reached a point, before this committee was created, which indicated that we could the more quickly and best succeed by continuing on with John Inglis Company." "Since the fall of 1936, if not since the summer of 1936, the Department of National Defence has urgently required large numbers of Bren machine guns, and, up to the time the subject was brought before this committee, had proceeded in its actions to the end of obtaining Bren guns to best Canadian advantage in the manner it believed the most advantageous."

Doctor Clark—"I cannot conceive that the war office is willing to deal only with one Canadian company, a company which has been through receivership very recently."

Mr. Elliott—"In raising the point again about the readiness or otherwise of the war office to deal with another Canadian firm, as prospective manufacturers in Canada of the Bren machine gun, this committee has not yet had a categorical reply from the war office to this specific question." The chairman stated that the department will do as the committee insists upon it doing, but the department could not possibly concur in repeating that question to the British government because the department is aware of what the war office thought of our first question, but Mr. Elliott pointed out that the message from Sir Harold Brown on this question had been somewhat garbled. The chairman then pointed out that a repeat message had been obtained and sent to the members on February 5.

Mr. Elliott said that the committee appreciated the government's action, and that the committee was only advisory, adding that, without the exclusive continuing right feature, the contract was a good one.

When Dr. Clark asked if it would be possible for the war office to deal with other companies, the chairman stated that he knew that the war office officials will not countenance taking the matter up with any other firms. Mr. Elliott then stated that he agreed to giving John Inglis company the contract, if it was made a specific contract with no future rights. The chairman then asked if the committee agreed with Mr. Elliott's views, making certain reservations concerning limitation of future rights, and taking over by arbitration, and Dr. Clark said he thought there would be general agreement. The chairman said he would furnish to the members details about the saving effected upon the actual

capital, and stated that Major Hahn was in town so that the committee could see him and obtain information on those details.

So that in the light of that full discussion of the situation three things were done by the interdepartmental committee to guarantee that this contract would be limited to the specific item of producing 7,000 Bren guns. I give to you, first, the elimination of the granting of an exclusive licence and specifically making it non-exclusive; second, the elimination of the provisions of the right of assignment with the consent of the government; and, third, the definite arrangement of an arbitration clause with the amount of damages fixed in the event of the contract being cancelled and being taken over by the government.—A. Before they went into production.

Q. At any time.—A. No, no, the amount was fixed if it was taken over before they went into production. That was the seventy five thousand figure that was explained in evidence. That is what you are referring to, are you not?

Q. I am talking about clauses 17 and 18, which were the clauses affected by the amendments.

Mr. GREEN: Along that same line there is exhibit 56, the minutes of a subsequent meeting of the interdepartmental committee, dated March 14, 1938. At the bottom of page 4 we find this statement dealing with the likelihood of the government giving the Inglis Company future contracts:—

Section 16:—A member of the committee thought that an assignment, with the consent of the party of the first part (the Crown), might have latent in it the possibility of capitalizing the future contracts that the government must give and to capitalize those future rights, and sell them to the public is a means of bringing home the future profit in large measure to those who sign the contract.

It is obvious that there is one million and a half dollars' worth of government machinery in the Inglis plant. They start out away ahead of anybody else.

Mr. McGEER: There was a provision in the contract for assignment with the consent of the government. The argument that you are referring to there is the argument that such a provision as the assignment with the consent of the government would imply the right to future contracts. That was eliminated to eliminate that implication.

Mr. GREEN: Of course, what it says here is, "might have latent in it the possibility of capitalizing the future contracts that the government must give—"

Mr. McGEER: What might have in it? The right to assign with the consent of the government which was eliminated from the contract and which is not in the present contract.

Mr. GREEN: No, but this official, whether right or wrong, clearly stresses the fact that the government must give future contracts to the Inglis company.

Mr. McGEER: That is what I referred to. I said there were three things which had been done, and I will repeat them so that you can get them: first, the elimination of the exclusive feature of the licence. It was made non-exclusive. Second, the elimination of the provision in the contract which allowed assignment with the consent of the government. Third, the arbitration clauses which gave to the government the right to take over and fix the amount of damages in the event of the government taking over.

Mr. GREEN: You would not claim that Hahn is not in a much more favourable position than any one else, would you?

Mr. McGEER: I am not dealing with that point at all, I am dealing with the question which is in the article as to whether it is true or not, namely, "This company accepts the responsibility of becoming the only source of the essential arms for Canada's land forces."

*By Mr. McGeer:*

Q. Do you still say that was a correct and truthful statement to the public of Canada?—A. I say it is today.

Q. Now, if you wanted to be fair and honest with the Canadian public, why did you not say that there was an arbitration clause in the contract giving the government the right to take over the contract any time it saw fit?—A. As a matter of fact, that is quite unnecessary, because everyone knows that as far as armaments companies are concerned the government have the absolute power to take them over at any time if they wanted to.

Q. Why did you not say so? You did not say that to the public of Canada, you said the very opposite of that.—A. Mr. McGeer, certainly the statement was made in relation to this company as an existing company; but you know better than anybody else here that the government is paramount. You argue that and so do I, and they can always take over a company—

Q. It took me a long time to learn that in constitutional law, and I never would publish a statement, Colonel Drew, to the effect that,

The contract itself, and what lies behind the formation of Canada's new armament industry, are matters of public concern, because this company accept the responsibility of becoming the only source of the essential arms for Canada's land forces.

A. And it is to-day. There is no other firm in Canada to-day making any essential arms for Canada's land forces. So that it has become the only source, which is exactly what I said.

Q. Well, it is only making Bren guns.—A. Not making them, but at the moment it is actually the only potential source.

Q. Do you think that notwithstanding this contract we cannot buy machine guns, rifles, pistols and every conceivable weapon that would be required for Canada's land forces, in England, in the United States, in any place in the world; that not a single source of supply that was available to us before this contract was entered into is not available to us today? You know that.—A. I know perfectly well from the practical point of view that no one would have a chance of getting anything passed in the house to purchase machine guns and rifles when they had already spent this amount of money in setting up a company which was capable of doing it or which they hoped was capable of doing it. The machinery is being put in there so that it will be capable of producing the Enfield rifles, pistols and other small arms. That is expressly in the contract.

Mr. BERCOVITCH: The government can always take that plant over.

The WITNESS: There is no question about that.

Mr. BERCOVITCH: Why didn't you publish that in your article, if you wanted to be fair?

Mr. McGEER: It is not the plant. This article says "This company."

Mr. HOMUTH: Quite; that is all there is to it. It is still the same.

*By Mr. McGeer:*

Q. I am putting it to you plainly: If in the light of this contract as we have discussed it here this afternoon, if in the light of the fact that every source of supply for arms is available to us, you still say it was a truthful statement to say to the public, "The contract itself, and what lies behind the formation of Canada's new armament industry, are matters of public concern, because this company accept the responsibility of becoming the only source of the essential arms of Canada's land forces."

Mr. GREEN: Why don't you read the rest of the paragraph?

Mr. BERCOVITCH: He did, he read that three times.

[Lieut.-Col. George A. Drew, K.C.]



Mr. McGEER: I asked the witness a question.

The WITNESS: What is your question?

*By Mr. McGeer:*

Q. I say, do you still say that that was a truthful presentation of the facts to the Canadian public in your article?—A. I still say it was a truthful presentation and I say it is today.

Q. Now you come to the—

Mr. GREEN: Before you go on, why not read the rest of that paragraph?

The CHAIRMAN: Let us get on, Mr. Green.

Mr. GREEN: I am not going to be pushed aside. Mr. McGeer has read a portion of a paragraph and I suggest he should read the whole paragraph.

Mr. McGEER: I am reading the next paragraph right now. I have told you.

Mr. GREEN: I want the balance of that paragraph read.

Mr. McGeer: "For good or evil the stage is now set for the private manufacture in Canada of primary implements of war."

Mr. GREEN: That is very important.

*By Mr. McGeer:*

Q. "For good or evil." You remember that statement?—A. I remember it and I certainly emphasize it today.

Q. "The stage is now set for the private manufacture in Canada of primary implements of war." You know there is private manufacture, that is, by a private concern entering into a contract with the government and running its own business? That is commonly known as private manufacture, is it not?—A. That is private manufacture, yes.

Q. Public ownership involves the establishment of a publicly owned plant operated by governmental employees, and that is known as public ownership; is it not?—A. That is right.

Q. And then there is such a thing as private operation under public control where the government enters into a partnership or into an arrangement, supplies part of the capital, reserves to itself the right to control the operation, to supervise the operation, to control the cost and to limit the profits. That is known as public control of private operations, is it not?—A. That is your statement. I call this private manufacture of arms.

Q. You do know that in different countries in the world there have been programmes of development of public ownership as against private ownership, and you know that one scheme in the world which has been developed is the Swedish programme of compromise where government goes into partnership with private enterprise? You know that fact?—A. I will not go to Sweden, I will go to Great Britain where under what is approaching a controlled socialism there is such a close identity between interests of the government and industry that they control every operation of this kind and as closely as it is controlled in this case here.

Q. And you think notwithstanding the fact that the government has put up part of the money, put up part of the machinery, puts its own men in there as inspectors and controllers to supervise the operation of costs and profits, you would say that notwithstanding the fact that participation by the government in this operation, it is properly described to the Canadian public as private manufacture in Canada of the primary implements of war?—A. I think that is the most accurate description that can possibly be given.

Q. Well, may I suggest this to you, that a really accurate description might have been this: The John Inglis company and the government of Canada and the John Inglis company and the government of Great Britain have entered into

two contracts where the government is providing part of the capital and in consideration of that has fixed the limit of profit and has the right to control the entire cost of operation and the production of the guns. You did not say a word about that in your whole article.—A. That is not so. I said there exactly what is provided. As a matter of fact I pointed out that it could exceed that and as a result of that a letter was written undertaking to amend the contract accordingly.

Q. Can you show me one single instance in this whole article where you acknowledge that the governments of Great Britain and Canada have control of the costs of operation?

Mr. HOMUTH: They do not know what the cost is going to be.

The WITNESS: It is a cost-plus contract of the ordinary type, a type of contract that has been used on a number of occasions in Canada already and had been used prior to the contract with very large existing corporations.

*By Mr. McGeer:*

Q. Let me ask you if you will go this far with me: While it is not public ownership it is an operation under public control. Will you go that far?—A. No.

Q. It is not under public control?—A. No, definitely, and I imagine the last man that would admit public control of the operation would be the man at the head of this company itself, because I feel sure that no manufacturer would possibly undertake to carry out a contract unless he had control of production, and so on.

Q. Not a single dollar can be expended on this whole operation without the sanction and approval of the officials of the governments of Canada and Great Britain,—not a single cent.—A. The bills are submitted to the government for approval; that is perfectly correct.

Q. It goes a lot further than that, Colonel. They have to get authority to pay wages. Before they can pay any wages those wages have to be submitted and approved.—A. They establish the basis of payment so that the government may know what it has to pay.

Q. It goes much further than that. If the government does not sanction and approve it the people do not have to pay.—A. The lists are submitted of the people who are to be paid under the terms of this contract and the salaries are fixed, and so on.

Q. Now, I say to you that this article in that particular phase of it was deliberately designed to support your own propaganda against private production of armaments and that it conveyed to the public private manufacture; that the truth was, it was manufactured under the public control only of an operation that was in part private?—A. That is not correct at all. The private manufacture of arms as conducted in Great Britain for many many years is carried out under exactly the same conditions as this in respect to a great many details; in so far as it gives the right of inspection, control of production, and as things of that kind go in cases of this kind; and that is described as private manufacture of arms, and this is the type of private manufacture of arms that is comprehended in any real application of the term private manufacture, as it relates to the practice in England.

Q. You know the contract in all its details, that it provides for control and inspection by the department, and you know that is an entirely different thing from the private manufacture of arms, that it can only be adequately described as the production of arms under public control?—A. I say this can only be described as private manufacture of arms, because they are being produced in a private manufacturers' plant, a private individual is getting all the benefit to be derived from the contract both as regards profit, and more particularly as it

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relates to the benefits which he got out of the contract in the form of stock manipulation and that sort of thing.

Q. You know that the Bren gun contract is but one unit of the operations of a commercial company, a company that is carrying on other lines of business?—A. I know just as well as anyone here just what the situation was when this company was taken over; and as far as that is concerned you know and I know that this company was idle when the contract was signed. That was what the judge found; and you know from the evidence that has been given here that the major business of this company at the present time is work in connection with the Bren gun. I think the record of the evidence which has been given here already is that the main operation of the remainder of the plant is working on things directly related to the production and manufacture of Bren guns.

Major HAHN: Mr. Chairman, I would like to say a word.

Some Hon. MEMBERS: Order, order. Sit down.

Mr. McGEER: You could be recalled at any time we need you.

*By Mr. McGeer:*

Q. Notwithstanding the fact that the said Bren gun contract is only a part of the John Inglis company, it is the only part that has to do with the manufacture of arms in Canada; I mean, it does produce a large amount of other stock and was producing it long before the Bren gun contract—it was producing a line of heavy machinery and equipment and engineering supplies—  
—A. Not this company.

Q. For Canada's basic industries?—A. Not this company.

Q. "For good or evil the stage is now set for the private manufacture in Canada of primary implements of war"; it does not say anything about this company?—A. I have described a contract that has been let, and say: "the stage is now set for the private manufacture in Canada of primary implements of war"; and I repeat now, the stage is set for the private manufacture of arms under the most abominable contract that could possibly be conceived.

Some Hon. MEMBERS: Hear, hear.

*By Mr. McGeer:*

Q. If it is the most abominable contract that could possibly be conceived, as you now say, that was your idea when you wrote the article?—A. No. My idea was that it was a bad contract then; my idea that it is an abominable contract was developed when I learned from the evidence things I did not know when I wrote the article, and the particular way in which this was being carried out; and when I spoke about a bad contract I spoke about the method by which it was obtained and the result of it from a stock-selling and stock-promoting point of view, and from the fact that this company did not exist as an operating company at that time, and that it was under the control of people who had no previous experience in the manufacture of precision steel, except those brought in since that time.

Q. Now that you have described this contract as the most abominable contract that can be conceived, and have told us that the Canadian contract (to use your own words) is a duplicate of the British contract, do you wish to go further and say that the British contract with the John Inglis company is the most abominable contract that ever was conceived?—A. Well, Mr. McGeer, you will remember quite clearly that the committee drew a distinction between the form and substance of the contracts.

Q. That has nothing to do with it at all, Colonel Drew; the question I am asking you now, and I want you to answer the question which I put to you a moment ago; I will repeat the question: in the light of what you have told this

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committee, that the Canadian contract is a duplicate in its main terms of the British contract, that the Canadian contract is the most abominable contract ever conceived, do you say that the British contract is equally abominable?—A. So far as they are concerned, no; for this reason, that they had no way of knowing all the facts that were available to the people in this country. When I referred to the contract I referred to what lay behind that contract in regard to stock-promoting and stock-selling, and the British people had no way of knowing that.

Q. And if they had known what we should have known then it would have been equally abominable to the Canadian contract, which you say is the most abominable contract ever conceived; is that right?—A. It certainly was.

Q. Let me put this to you; the evidence is that the British War Ministry investigated the John Inglis company independent of the Canadian government?—A. There is no evidence whatever that the British government knew anything about the stock set-up of this, or the fact that this company was controlled by the directors that it is controlled by, or that they knew that the real people they were dealing with were Hahn, the two Plaxtons, the three directors who are perfectly honest in the fact that their only interest in getting the stock was so they could sell it for a profit. The evidence is quite clear that the Minister of National Defence did not know that, and that consequently that information could not be passed on to the British government.

Q. All right. At least on November 7, 1938, when your inquiry was all over, the war office had, as every one else in the world had, knowledge of the disclosure that your inquiry had made.—A. I think we must be accurate. I do not think *Maclean's* reaches everybody in the world yet.

Q. I know, but the Bren gun inquiry in Canada which involved the British contract was surely of sufficient importance to have the British war office take notice of it.—A. They knew of it. There is no doubt about that.

Q. It was discussed in the parliament in Great Britain. Would it surprise you to learn that on November 7, 1938—A. What are we referring to now?

Q. I am referring to a letter from the war office.—A. Is that an exhibit?

Q. To the John Inglis Company.—A. Is that an exhibit?

Q. I am going to put it in.—A. No.

Mr. FACTOR: Col. Drew, you are not controlling this investigation.

Mr. DOUGLAS: Mr. McGeer is not giving evidence.

Mr. McGEER: I am going to read this letter to him and ask him if he knows it is in existence.

The WITNESS: I mean, after all, if it is not an exhibit—

The CHAIRMAN: Might I convey to you, Col. Drew, that I am making that decision.

The WITNESS: I was answering Mr. Factor.

The CHAIRMAN: I am not answering you. I am telling you.

Mr. McGEER: May I read this letter?

Mr. DOUGLAS: Mr. Chairman, just a minute. We want to know what this is. We are not going to stand for that sort of thing. We want to know what is being put in. Is that something that has been presented in evidence?

Mr. FACTOR: Give him a chance to put it in.

Mr. DOUGLAS: Mr. McGeer cannot put in evidence in that way.

Mr. FACTOR: He is going to.

Mr. DOUGLAS: We want to know what the letter is.

Mr. BERCOVITCH: Let him put the question.

Mr. McGEER: "The war office, London, S.W.I.—

Mr. DOUGLAS: What is this letter?

[Lieut.-Col. George A. Drew, K.C.]

Mr. GREEN: Mr. Chairman, I rise to a point of order. It is not right that a letter should be read that has not been put into the record by somebody to whom it belongs or who is responsible for it. If that letter was going in, it should have been put in by Major Hahn; and then there would have been an opportunity for us to cross-examine him about it and find out the facts about it and so on. If it was in, there would be no objection whatever to Mr. McGeer cross-examining Col. Drew on that letter. When Col. Drew is finished here with this part of his evidence, there is no reason why Major Hahn should not be recalled to prove the letter. But I submit that this is the wrong stage at which to cross-examine on a letter of that type. If that can be done, there is no limit whatever. We can bring in letters from anybody. My good friend Mr. Brooks could write me a letter and set out a lot of things and I could read it to the witness.

Mr. FACTOR: You are not suggesting it is a fictitious letter from the war office, are you?

Mr. HOMUTH: We do not know what it is.

Mr. GREEN: It is important that there should be the opportunity to cross-examine on the letter; that is, for us to cross-examine on the letter before it is used to cross-examine the witness. That is my point.

Mr. BERCOVITCH: I just want to say a word regarding the point of order that was raised by my good friend Mr. Green, and that is that before a point of order can be decided or before it can be discussed at all, I think, it is quite important that we have the question on the record. As far as I am concerned, I have listened very attentively and so far I have heard no question upon which any point of order can be raised.

Mr. GREEN: It goes a little further than that.

Mr. BERCOVITCH: Let us have the question; after the question has been put, you can make your objection. But until the question is put, you cannot object in anticipation.

Mr. GREEN: Mr. Chairman, wait a minute. What I am objecting to is that Mr. McGeer was going to read a letter. I do not mind his putting a question; but reading a letter, as you know, is a different thing.

Mr. BERCOVITCH: Let him put the question and then you can raise your point of order.

The CHAIRMAN: Let Mr. McGeer proceed with his question.

Mr. BERCOVITCH: Exactly.

Mr. DOUGLAS: The objection is not to the question. The objection is that something is going to be quoted that is not in evidence. If it is in evidence let Mr. McGeer give the exhibit number.

Mr. FACTOR: He is putting it in evidence now.

Mr. DOUGLAS: He cannot put it in evidence without proving it.

Mr. BERCOVITCH: You do not know what he is going to do, because there is no question.

Mr. DOUGLAS: A member of this committee cannot put letters in as evidence. If it is in evidence, let us know the number of the exhibit; otherwise let him ask the question.

The CHAIRMAN: After Mr. McGeer proceeds with his question, then we will decide what we are going to do.

Mr. BROWN: How can he prove the letter? He cannot do it.

Mr. McGEER: I cannot prove it through this witness.

Mr. DOUGLAS: Keep it until the proper witness comes.

Mr. McGEER: Mr. Chairman, the question I wish to direct to the witness is this: Are you aware that the war office, under date of London, S.W. 1, November 7th, 1938—

Mr. HOMUTH: He is at it again.

Mr. McGEER: Refer to 57/S.A./792 (D.A.C./P.).

Mr. GREEN: Mr. Chairman, let us have no mistake about this. Mr. McGeer is reading a letter. I rise to the point that he has no right to read a letter until it is properly proven; and he knows that just as well as I do. Once he has proved the letter, then he can do anything he wishes.

Mr. McGEER: The point of order that was raised was that I proposed to direct a question and my question was objected to because it involved the reading of a letter.

Mr. DOUGLAS: Which is not in evidence.

Mr. McGEER: I submit, Mr. Chairman, that the question is quite in order and that I can read this letter to the witness, asking him whether or not he is aware of its being sent.

Mr. BERCOVITCH: There is no doubt about that.

Mr. McGEER: Now, what my learned friends are talking about is another rule of evidence. They are talking about can I prove this letter by submitting it to this witness. I can if he knows about the letter.

The WITNESS: I can tell you "No"; I don't remember having heard the date.

*By Mr. McGeer:*

Q. But you cannot tell me about that until you have heard the letter because you might have forgotten the date.—A. Oh, no. You know perfectly well—

Mr. McGEER: And the question is in order, Mr. Chairman.

Mr. BROWN: Mr. Chairman, you are letting Mr. McGeer proceed against all the laws of ordinary evidence; that is what you are doing.

The CHAIRMAN: I am afraid I will have to decide to permit Mr. McGeer to proceed with his question.

Mr. GREEN: Perhaps this might overcome the difficulty if Mr. McGeer showed Colonel Drew the letter and asked him if he had seen the letter.

The WITNESS: That is the regular practice.

Mr. GREEN: All Mr. McGeer wants to do is to put the letter on the record.

Mr. BERCOVITCH: Are you afraid of the letter?

Mr. GREEN: I am not afraid of it.

Mr. BERCOVITCH: Very well; let him put the letter in.

Mr. GREEN: That is an unfair way to do it. He should not have the right to read it.

The CHAIRMAN: In answer to my honourable friend I am going to permit Mr. McGeer to proceed with this letter, and I will decide about the other forty-nine one by one when they come before the committee.

Mr. GREEN: They will have to be read each time.

The CHAIRMAN: I will decide on each letter as it comes before the committee.

*By Mr. McGeer:*

Q. I ask you the question, Colonel Drew, are you aware that under date of November 7, 1938, the war office at London wrote the following:—

Gentlemen,—With reference to the agreement dated 18th July, 1938, between your company and the Secretary of State for War for

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supply of Bren guns, I am commanded by the Army Council to inform you that the necessary formal licence has been granted to the Dominion government to cover manufacture on its behalf in your factory, but it has been deemed necessary that a further licence should be issued to cover manufacture in your factory to the order of the Secretary of State.

I am therefore to enclose two copies of this document which has been signed on behalf of the Secretary of State and to request that you will arrange for signature on behalf of your company and will return one signed copy to this office for retention.

I am, Gentlemen,

Your obedient servant,

(Signed) A. E. WIDDOWS.

It is addressed to Messrs. John Inglis Co. Limited, Toronto, Canada.—A. May I see the letter?

Mr. McGEER: And the reply (handing letter to witness).

Mr. BERCOVITCH: It is just as well to look at it first.

The WITNESS: Mr. Chairman, after all, I am here and I have a right to express a certain opinion. I am a lawyer and I have had to decide on questions of the admission of evidence, and I have never heard in my life any such idea as reading a letter of this kind in by a counsel where it has not been proved. This is a copy, it is not an original—

The CHAIRMAN: I am sorry but I will have to interrupt the witness because I want to convey to the witness that I happen to be chairman of this committee and I intend to make that decision.

The WITNESS: My answer, of course, as you know, is that I have not seen that.

Mr. GREEN: On a point of order, Mr. Chairman—

Mr. McGEER: I want once more to put this question to you—

Mr. GREEN: On a point of order, Mr. Chairman. Mr. McGeer is not going to get away with this. He said he had a letter from the war office and he does not produce a letter at all, he produces a copy. That is just flim-flamming the committee, and it should be struck off the record.

Mr. McGEER: Mr. Chairman, I want to answer that by saying that on my responsibility as a member of the bar of British Columbia, as a member of the Canadian House of Commons and as a King's counsel, I will undertake to produce the witness who can prove the original letter, before the inquiry closes.

Mr. HOMUTH: Mr. Chairman, until that is done I would move that that be kept off the record.

Mr. BERCOVITCH: You cannot keep it off the record.

Mr. McGEER: What you have done is to waste a good deal of time.

Mr. HOMUTH: You have wasted all the time and you are not getting anywhere; you are just slamming your head against a stone wall.

*By Mr. McGeer:*

Q. I want to put this to you: Supposing this situation were developing that the British war office—

Mr. HOMUTH: Mr. Chairman, I made a motion. My motion has precedence.

Mr. GREEN: I will second it.

Mr. HOMUTH: I made a motion, Mr. Chairman, that that letter be deleted from the record until such time as proof of it has been brought in.

The CHAIRMAN: Gentlemen, you have heard the motion; what is your pleasure?

Do you want a recorded vote?

Mr. HOMUTH: Yes.

Mr. GREEN: We want to have the vote on this motion polled.

On the motion being put it was declared lost:

Yeas—7, nays—14.

*By Mr. Golding:*

Q. Just before we adjourn may I ask Col. Drew this question? He speaks about this being the only source of supply. If within three months, or six months, the Canadian government required 250,000 rifles, would they have to depend entirely on the Inglis company?—A. What I said was that from the practical point of view there would be not the slightest chance, that as the money was already being expended on the preparation of this plant for the manufacture of Enfield rifles that they would not go to any other source.

Q. But I understood you to state that this was the only source of supply. Can you answer that question?—A. I said that was the only practical source.

Q. Well, now, would you say now, would that be the only source of supply? A. The practical result is that that is the only source of supply within Canada.

Q. That is not what I asked you. I asked you this question, if within three months or six months the government required 250,000 rifles———A. It is rather difficult to follow, I am sorry.

Q. I want an answer to my question; is that the only place you could go to? —A. There is no other place in Canada.

Q. I do not mean in Canada?—A. It is the only source of supply in Canada, yes.

Mr. DOUGLAS: Hold your question until we can hear what you are saying. We can't hear you now.

Mr. GOLDING: He has not answered my question.

The CHAIRMAN: Gentlemen, what is your pleasure about meeting to-night?

Mr. BERCOVITCH: I suggest that we meet tomorrow morning at 11:15, the usual hour.

The WITNESS: As far as that is concerned I understood that you would be through with me to-day.

The CHAIRMAN: I can't help what you understood, the committee have decided to adjourn until to-morrow morning at 11:15.

The committee adjourned at 6:10 o'clock p.m. to meet again tomorrow, June 1, 1939, at 11:15 o'clock a.m.

















SESSION 1939

HOUSE OF COMMONS

STANDING COMMITTEE

ON

# PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

RESPECTING

## THE BREN MACHINE GUN

AND OTHER ARMAMENT CONTRACTS

No. 27



THURSDAY, JUNE 1, 1939

WITNESS:

Lieut.-Colonel George A. Drew, K.C.





## MINUTES OF PROCEEDINGS

THURSDAY, June 1, 1939.

The Standing Committee on Public Accounts met at 11.15 a.m., the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Beaubien, Bercovitch, Bothwell, Brooks, Douglas (*Weyburn*), Dupuis, Factor, Ferland, Fleming, Fournier (*Maisonneuve-Rosemount*), Francoeur, Fraser, Glen, Golding, Goulet, Green, Homuth, Isnor, MacInnis, MacNeil, McCann, McDonald (*Pontiac*), McGeer, McKinnon (*Kenora-Rainy River*), McLean (*Melfort*), McPhee, Marshall, Patterson, Purdy, Rickard, Slaght, Taylor (*Norfolk*), Thauvette, Wood.

*In attendance:* Lieut.-Colonel George A. Drew, K.C.

Examination of Colonel Drew was continued.

At 1 o'clock p.m. the Committee adjourned until 2.30 o'clock p.m. this day.

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### AFTERNOON SITTING

At 2.30 o'clock p.m. the Committee resumed.

*Members present:* Messrs. Ahearn, Bercovitch, Bothwell, Brooks, Brown, Douglas (*Weyburn*), Factor, Ferland, Fleming, Fournier (*Maisonneuve-Rosemount*), Francoeur, Fraser, Glen, Golding, Goulet, Grant, Green, Homuth, MacInnis, MacNeil, McCann, McDonald (*Pontiac*), McGeer, McLean (*Melfort*), McPhee, Marshall, Patterson, Purdy, Rickard, Slaght, Stewart, Taylor (*Norfolk*), Thauvette, Tremblay, Wood.

*In attendance:* Lieut.-Colonel Drew.

Examination of Colonel Drew was continued.

At 6 o'clock p.m. the Committee adjourned until 8 o'clock p.m. this day.

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### EVENING SITTING

At 8 o'clock p.m. the Committee resumed.

*Members present:* Messrs. Bercovitch, Bothwell, Brown, Douglas (*Weyburn*), Factor, Ferland, Fournier (*Maisonneuve-Rosemount*), Fraser, Golding, Green, Homuth, MacInnis, MacNeil, McDonald (*Pontiac*), McGeer, McKinnon (*Kenora-Rainy River*), McLean (*Melfort*), McPhee, Marshall, Purdy, Stewart, Stirling, Taylor (*Norfolk*).

*In attendance:* Lieut.-Colonel Drew.

Examination of Colonel Drew was continued.

At 11.10 o'clock p.m. the Committee adjourned until Friday, June 2, at 11.15 o'clock a.m.

A. L. BURGESS,  
*Clerk of the Committee.*





## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Room 369, June 1, 1939.

The Standing Committee on Public Accounts met at 11.15 a.m. The Chairman, Mr. W. A. Fraser, presided.

The CHAIRMAN: Gentlemen, we have a quorum now; if you will come to order, we shall proceed with the witness.

Mr. GOLDING: Mr. Chairman, just before you proceed, may I say that I think Mr. Green promised that he would put on record to-day where Mr. Fraser Elliott agreed with his statement. I should like him to do that now.

Mr. GREEN: I do not think I promised to do that. At any rate, I did not get time to look it up; but if I have time, I shall do so.

Mr. GOLDING: Mr. Green has been one member who has consistently asked for fairness.

Mr. HOMUTH: Why do you not look it up?

Mr. GOLDING: Just a minute. I submit that if he wants to be fair to Mr. Fraser Elliott, he will give us the page where he agreed with his statement.

Mr. GREEN: You know that Mr. Fraser Elliott was here about five or six days, and it is quite a long job to go through his evidence.

Mr. GOLDING: I know.

Mr. GREEN: But as soon as I get the time, I will do it.

Mr. GOLDING: I know that he did not agree with you.

Mr. GREEN: I know that he did. And as soon as I get time to look through it, I shall be very glad to put it on.

Mr. McGEER: Mr. Chairman, we were dealing with the word "obsolete." I should like to quote from the standard high school dictionary at page 635, the 1939 edition, where it says:—

Obsolete: gone out of use; no longer practised or accepted; of a discarded type or fashion; worn out.

Lieut.-Colonel GEORGE A. DREW, K.C., recalled.

*By Mr. McGeer:*

Q. Colonel Drew, in drawing your attention to the meaning of that word, I should like to say to you that I am informed that no new Enfield rifle had been adopted since the Great War by the British war ministry for use in the British army, and that the Lee-Enfield rifle used in the Great War is still the standard rifle ordnance for the British army. What information have you got to the contrary?—A. My suggestion is that the information is wrong.

Q. Then why do you say it is wrong?—A. Because there is a new mark of Lee-Enfield rifle, and that was the mark of Lee-Enfield rifle which—as you know, the Lee-Enfield is a progressive rifle that has been going on for many years, and the new mark is the one that is being produced now in England and was the one which was referred to in the reports of the general staff as the new rifle that they hoped to manufacture.

Q. That they hoped to manufacture?—A. The general staff of Canada, remember, I am talking about.

Q. You have told me this S.L.M.—what is it, S.L.M.E. 3?—that is, the Lee-Enfield rifle of 1914 which we now have as the Canadian rifle in reserve for the Canadian land forces is still the rifle in use in Great Britain; and I presume the next one would be S.L.M.E. 4. Is that what you refer to?—A. The next mark, the post-war mark of Lee-Enfield, is in production in England; and as I explained to you the other day when you brought this up, there are a great many of the old rifles used, probably the majority, because of the fact that Great Britain delayed so long in the rearmament of its troops.

Q. What do you call the new rifle in production?—A. I have told you, the post-war mark of Lee-Enfield rifle.

Q. What is the post-war mark?—A. There are experts here who can give that. I will call them if you want me to. The trouble is that you have not had any general staff experts here. There are men here who can give you all those details, and I will be glad to suggest them.

Q. One of the experts on that kind of thing is Capt. Jolley, is he not?—A. No.

Q. He would not know anything about a new rifle in England?—A. I do not know that. I do not reflect on Capt. Jolley when I say there are men with greater experience than Capt. Jolley available.

Q. You used the expression a moment ago that when you were discussing the matter with the general staff you said there was a rifle that they hoped to bring into production?—A. No. What I said was that I referred to the recommendations of the general staff for the manufacture of a new rifle, and that that was the new rifle they were referring to.

Q. What is the description of the new rifle? Do you know?—A. I cannot give you a description of it, no.

Q. I am suggesting—A. Any more than I would attempt to give you a description of a 3·7-inch howitzer or 6·7 high velocity anti-aircraft guns or anything else. There are experts here who can give that.

Q. The standard rifle is S.L.M.E. 3; that was the one.—A. That was the one that was in use during the war.

Q. The next mark would be S.L.M.E. 4, would it not be?—A. Not necessarily.

Q. Do you know any other mark that is appropriated to a new Enfield rifle which you now say is in production in Great Britain?—A. There is no question about it, they are making a new mark of rifle. When I say that, it may not necessarily be 4. As you perhaps know yourself, they go through experimental stages and adopt a particular mark as the one for production. It is very easy to bring evidence to that effect. I did not know it had any bearing on this.

Q. I am going to call evidence to that effect.—A. That is all right.

Q. My instructions are—and I wanted to give you warning of it—that you are absolutely wrong, that there is no new rifle which has been adopted or which is in production. I ask you to give me your reasons for making the statement in your article and before this committee that our present rifle equipment, to use your own language, is completely obsolete.—A. If that is wrong, then the general staff who told us that is wrong. You asked me for the source and I told you we were told that by officers of the general staff.

Q. Who?—A. Amongst others who have discussed it is General Ashton.

Q. General Ashton. Apparently, if his information to you about the Lee-Enfield rifle was no closer to the mark of truth than was his information about the Ross rifle machinery, you could not put any credence in that, could you?—A. I think that General Ashton is a highly qualified soldier.

Q. He told you, and made a report to the effect that there was enough machinery and equipment in Valcartier to produce all—or that the bulk of the

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machinery required to produce the Bren gun under the Canadian and British contracts was in store at Valcartier, did he not?—A. No. I read to you from a report from the chief of general staff to the Minister of National Defence.

Q. And that chief of general staff was Ashton?—A. That is right.

Q. And Ashton told the Minister of National Defence that the bulk of the machinery required to produce Bren guns under the Canadian and British contracts was in store in Valcartier?—A. That was not the wording. If you want me to read it, I can.

Q. Is that the purport?—A. What he said was that the majority of the machinery necessary for the manufacture of Bren guns and rifles in a government arsenal was available from the Ross rifle equipment in Quebec.

Q. For both the Canadian and British contracts. Did he tell you that?—A. No. They were not discussing that. After all, if you set up a plant, it would not only be available for 12,000 guns; it would be available for many thousand more.

Q. But he did not tell you that the bulk of the machinery was available to manufacture Bren guns under the British and the Canadian contracts?—A. At that time he was discussing a government arsenal.

Q. And you knew at that time, as Ashton knew, that the government policy would be not to manufacture guns in a government arsenal for any other government?—A. He did not know and I did not know; neither did the government know and apparently neither did Mr. Mackenzie King.

Q. Is that so?—A. Quite; because the stated policy of the government at that time was that these would be manufactured in a state-owned establishment.

Q. Not for other governments?—A. What is that?

Q. Not for other governments?—A. I know of nothing to that effect.

Q. We have evidence here that the declared policy of the government stated at the Imperial Conference in 1937 was that the Canadian government would not manufacture guns for any other government in a Canadian arsenal.—A. That conference took place the following year.

Q. We will let that matter go. There are some books that have come out on armaments. Are you acquainted with "The Ramparts We Watch"?—A. Who is the author?

Q. Mr. George Fielding Eliot.—A. Well, I have not read that one. As a matter of fact, I have the book and have not read it yet.

Q. You recognize him as an author of standing to-day?—A. Eliot is a good writer, yes.

Q. The *New York Times* says this of him:—

There can be no exception taken to his general strategical and tactical analysis, nor can one find such an analysis, painted with such lucid brush strokes, in any moderate volume.

Eliot was born in the United States, educated in Australia, served with the Australian forces in the Great War, returned to the United States and since the war has been writing apparently with access to the American army. I just want to draw your attention to one section in the book which deals with the policy of preparation in peace time for the emergency of war.—A. Yes. I think, if I remember rightly, that that came out in serial form in the *New York Times* and in condensed form; and it refers, of course, to the American army which, with all due respects to United States, is not yet a model so far as Canada is concerned.

Q. No. But this book deals with the whole world situation, the British army as well as the American.—A. Yes.

Q. You do know, as a matter of fact, that the British army, for many reasons, set up a program of co-operation with private industry, developing educational programs and getting a wider distribution of armament production units and laying the foundations for the training of peace time industrialists



for war time emergency needs? Do you agree with that?—A. I will not answer your analysis of the situation. If you ask me the question, do I know what the British policy is, I will say yes. Then if you ask me what it is, I will tell you. But I will not say yes to that statement of what the British policy is.

Q. Very well. Let me quote from page 341 of "The Ramparts We Watch" as follows:—

The nation is divided into "procurement districts," and in each of these districts the industrial facilities are carefully checked over to determine how far they could be used as, or converted into, war-supply agencies. In this work the war department, with the assistance of the navy department, has accomplished a remarkable achievement; and in so doing, has had the hearty co-operation of industrial management. The last Congress made a great advance when it permitted certain funds to be used by the war and navy departments in giving what are called "educational orders to selected plants to enable the latter to acquire experience in the production of certain critical items of munitionment; formerly this was not possible, as every government contract had to be let, on the basis of advertised bids, to the lowest bidder, which was naturally a firm already equipped for turning out the desired product. All this part of the Industrial Mobilization Plan is necessary and will make a great contribution to our effectiveness in war.

Do you agree with that as a wise and a sound policy?—A. I do; and it has no application to the situation before us.

Q. We have the evidence from the deputy minister that this contract was designed to carry out that policy.—A. Well, it is not carrying out that policy.

Q. Probably we are in disagreement on that.—A. Mr. McGeer, the point is quite clear. What he is talking about are orders to plants which practically amount to what are known as pilot plants; but that depends upon the existence of a basic plant; and that is to some extent following exactly the process of manufacture recommended in the royal commission on the private manufacture and trading in arms in Great Britain. As a matter of fact, their two methods are almost exactly the same.

Q. We, according to the Deputy Minister of National Defence in his evidence in this committee, have taken—that is, the Canadian government has taken its advice and been guided in this contract by the British war office?—A. They have not been guided by the principles laid down in Great Britain; and if you want me to explain why, I shall be very glad to do so.

MR. GREEN: Col. Drew has referred several times to a finding of that commission. I wonder if we could have it on the record, so we will know just what it is.

MR. MACNEIL: Yes.

MR. McGEER: I think probably when I get through dealing with this matter, I will be able to come to that.

*By Mr. McGeer:*

Q. You have also told us, I think, to use your own words, that you would not criticize the British government because it had been tricked into signing this contract?—A. Mr. McGeer, you are not going to put words into my mouth. I did not use the word "tricked". I said that the British government did not have the opportunity of knowing the facts.

Q. I see. What was there to prevent the British war ministry from sending men to Canada to investigate the John Inglis Company?—A. Nothing whatever.

Q. They had as much opportunity to investigate the company as the Department of National Defence did, did they not?—A. I cannot imagine

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any reason why the war office would send anyone to investigate a plant which had been as highly extolled as this plant had been by the Canadian government.

Q. Are you aware of Major Hahn's evidence in this committee when he said that the British war office made an independent investigation of his plant and himself in Canada? Do you wish to now say that Hahn is not telling this committee the truth?—A. I wish to say that there is no evidence that that plant was examined prior to the signing of the contract by anybody from England.

Q. You wish to tell this committee that, after this committee has heard the evidence of Major Hahn to the contrary?—A. I wish to say quite definitely that as far as the examination of the plant is concerned, if you will search through the correspondence between the war office and this department, you will not find at any point any reference to anything—

Q. I never said there was any reference. I said that, in his evidence before this committee, Major Hahn told this committee that the British war office made an independent investigation in Canada of himself and his plant.—A. I do not accept Major Hahn's statement on anything.

Q. Very well. That is different. Yet you make that statement here without one bit of evidence from the British war office that they did not make that investigation?—A. I make the statement on the simple fact, as it is clearly proved from the whole record, that they relied on the Canadian Department of National Defence; and that is what the judge found.

Q. When did you develop this complete and utter disrespect for Major Hahn's word?—A. When I heard the evidence at the commission.

Q. I see. Do you know of a book called "The Intelligence Service Within the Canadian Corps"?—A. I do.

Q. Which Major Hahn wrote?—A. I do. I was presented with a copy of the book by Major Hahn.

Q. What do you think of his book?—A. I have not been able to read it.

Q. You have not been able to read it?—A. No.

Q. And when did you receive the book?—A. I should think about fifteen years or so ago now.

Q. Do you not think that "The Intelligence Service Within the Canadian Corps" is an important department for a man who poses as a military authority?—A. I think it is an extremely important part of the army at any time.

Q. And did you have so little respect for Major Hahn when you received this book that you did not want to read it?—A. No. Perhaps I was not able to for the same reason that the minister gave evidence that he had not had time to read one that he was presented with.

Q. Major Hahn was also the recipient of a book from you, was he not?—A. That is right. At that time we were exchanging amenities.

Q. Have you written any book on any branch of the military service yourself?—A. No, I have not attempted to.

Q. As a matter of fact, this book of yours is a recapitulation of the war records of the Canadian air aces, is it not?—A. That is right.

Q. Largely compiled from the records which are established, with their decorations?—A. No. As a matter of fact, unfortunately the records were not complete. Consequently I undertook to get that book together, and the story is almost entirely based on personal contact with the men concerned, except one or two who were unfortunately dead; in that case, I got the information from their families. Our records in regards to the Flying Corps unfortunately were in no way complete.

Q. You wrote Major Hahn a letter, did you not? You say: "Just discovered I had failed to forward this book to you."—A. Yes; he had asked for it.

Q. So you inscribed it to him, "To Major J. E. Hahn, D.S.O., M.C., with sincere regards; George A. Drew." That is your handwriting, it is not?—A. That is my handwriting.

Q. And you now tell us that you have absolutely no respect for his word?—A. Yes. We have been disillusioned before now.

An Hon. MEMBER: So have we.

*By Mr. McGeer:*

Q. I suppose that is the reason that, when you were writing your article about him, you tore off his decorations?—A. You know that is really a very ridiculous suggestion. I did not tear off his decorations. You know and I know that in writing an ordinary article, it is not customary to place a man's decorations in a matter that is not a military article; and this is not a military article.

Q. This is not a military article?—A. No.

Q. I agree with that. It is a purely political article, but I did not expect you to admit it.—A. And with your customary inaccuracy, you have put words in my mouth.

Q. If this is not a military article, what is it?—A. That article is, as I have explained before, an article for the purpose of informing the Canadian public of one of the greatest abuses that exists in this type of manufacture of weapons.

Q. Do you not know, as a military man, that for a military officer to use another officer's name, whether with or without his consent, in a public way, and to leave out his decorations won for valour on the field of battle, is one of the grossest violations of military etiquette that can be committed?

Mr. HOMUTH: Who is the expert on that?

The WITNESS: No; and neither do you. I am quite prepared to take your expert knowledge on military matters in some things, but not in that.

*By Mr. McGeer:*

Q. We will call an expert on that, too.—A. All right

Q. Now I just want to run over for a few minutes some of the steps which were taken, which you know of and which you had access to, when the article was written, because they were all part of the departmental records. Exhibit 203, dated 10th of November, 1936, was a memorandum to the Prime Minister, W. L. Mackenzie King, advising him of the facts and the need of securing for Hahn access to information with reference to the Bren gun and which was afforded by the authority given to the war office.—A. What is the date of that, by the way?

Mr. McGEER: It is dated November 10, 1936.

Mr. GREEN: That is not signed, Mr. McGeer.

Mr. McGEER: It is attached to a communication from the office of the Department of External Affairs which directed it to the Rt. Hon. W. L. Mackenzie King, and the evidence is that he saw it.

Mr. McGEER: That places the date when Hahn commenced his investigation of the Bren gun situation in England, doesn't it?

Mr. GREEN: I wonder if that could be read. We have not had that read into the record yet.

Mr. McGEER: All right:—

Attached is a telegram from Mr. Massey, and a letter from National Defence of October 20th on the same subject, namely, the visit of Major Hahn to England to obtain information as to the possibility of producing the Bren light machine gun in Canada. A copy of the letter of

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October 20 was sent to the High Commissioner the day it was received. I know Mr. Massey took steps to introduce Major Hahn and his associates to the appropriate United Kingdom authorities.

Apparently some difficulty has arisen because of the extent of the information regarding not merely the Bren gun but other branches of armaments, such as tanks, shells, aeroplanes, which Major Hahn has requested from the United Kingdom authorities. Sir Francis Floud said on Saturday he had an enquiry from London indicating reluctance to give information regarding the scale and program of production, as well as details of manufacture, to any private individual. I suggested that he discuss the matter with the Minister of National Defence. He was out of town, but Sir Francis spoke with Colonel LaFleche. I told him it was clear from the correspondence that the Department of National Defence had every confidence in Major Hahn, and desired that he should be given facilities for examining conditions of manufacturing the Bren light machine gun, and that this could safely and appropriately be given. As regards munitions in general, however, there was no indication that the Minister of National Defence desired that any particular Canadian group interested in munitions manufacturing, should be given any information which the war office might be reluctant to extend as to the British munitions program.

Mr. MacNEIL: Read the notation.

Mr. McGEER: "Read: W.L.M.K. 10/11/36".

*By Mr. McGeer:*

Q. And following that we have a copy of the correspondence and the communications that went between the High Commissioner's office, and from the High Commissioner's office was sent to the Secretary of State for War. Now, that fixes the time when the commencement of the Bren gun production in England was undertaken by Hahn; you will agree with that?—A. I think you will realize that your wording is not quite correct; you said, production of the Bren gun in England was begun by Hahn. You didn't mean that.

Mr. McGEER: No, I meant the investigation.

The WITNESS: He never undertook to manufacture the Bren gun in England.

Mr. McGEER: No; the investigation in England of the production of the Bren gun, facts for the production of the Bren gun.

The WITNES: Yes, that was the beginning of that, yes.

*By Mr. McGeer:*

Q. That was the beginning of that?—R. Yes.

Mr. McGEER: Hahn then reported to Canada, and Exhibit 17, part of the departmental record, says this:

"H.Q.S. 6507.

Ex. 17. R.

*Resume of Report by Major Hahn:*

Subject—PRODUCTION OF BREN LIGHT MACHINE GUN IN CANADA

On December 7, 1936, at 14:45 hours Major Hahn, on his return from England, outlined his report on the possibilities and estimates for the production of the Bren Light Machine Gun in Canada, and the under-mentioned officers of National Defence Headquarters were present:

Major General A. C. Caldwell, Colonel E. J. Renaud, Colonel G. R. Turner, Lieut.-Colonel D. E. Dewar, Major G. P. Morrison, Lieut. M. P. Jolley.

Major Hahn had spent approximately one month in England, and had interviewed Sir Thomas Inskip and other high officials of the war office. In addition he had been granted facilities to investigate British production, and had consulted the management of the royal small arms factory, with whose aid he was able to compile a report and estimates which are to be submitted to the Department of National Defence in due course.

Q. So that on December 7th Major Hahn got from the British War Office a report, as he says, and estimates which are to be compiled with the aid of the management of the royal small arms factory?—A. It was not a report from the war office, it was a report based on his visit to the war office.

Q. Let us just get the wording of this departmental record.—A. I am not concerned about the departmental record, the fact is that his report was based on his visit to the royal Enfield plant, and his visit to the war office in England.

Q. The departmental report says that he was able to compile a report and estimates with the aid of the management of the royal small arms factory, and using the aid of the royal small arms factory he did present a report to the distinguished members of the Department of National Defence whose names I have read; is that correct, do you find fault with that?—A. Who presented the report?

Mr. GREEN: You have only read about a third of the report. I wonder if you would read the rest of it into the record.

Mr. McGEER: All right.

“Briefly Major Hahn’s report is as follows:—

Three possible programmes for the production of Bren guns in Canada present themselves—

- (a) Establishment of a factory in which all components would be made, inspection carried out and assembly completed.
- (b) Establishment of a factory in which major components would be made, small components being “farmed out” to other private firms. Inspection and assembly would take place in the main factory.
- (c) Establishment of an inspection and assembly plant, all components being “farmed out” to private firms.

Of the three possibilities (b) would appear to have the greatest number of advantages for Canadian production; (a) would require too heavy an investment in machinery and (c) would be difficult from the point of view of keeping the manufacturers within the required tolerances to ensure assembly and interchangeability.

Concentrating on (b), it would appear that the most economical proposition would be the establishment of a factory to manufacture the major components of the gun at a rate of 50 per week, single shift, or something over 100 per week double shift and overtime.

For this production the following estimates were presented:—

- (a) Cost of machinery..... \$500,000.00
- (b) Cost of tools, fixtures, etc. (excluding inspection gauges) 300,000.00
- (c) Cost of gun complete.....\$350 to \$400.00

The estimates would include all allowances for contingencies.

A period of 18 months would be required to start actual production.

In addition, Major Hahn outlined the British policy. Apparently production in the royal small arms factory begins in September, 1937, an output of 10,000 guns being contemplated for the period, September, 1937, to March, 1939. Thereafter an output of 10,000 guns per year is to be maintained, by double shift or overtime, until establishments are filled.

Preparations are also being made for the Birmingham small arms factory to set up for the production of the Bren gun at a capacity of 100 per week.

Eighteen months will be required to enable the Birmingham small arms factory to begin production.

British requirements cannot be filled before 1941.

In closing Major Hahn stated the British authorities are interested in production in Canada, and financial assistance and orders might possibly be expected.

(Signed) M. P. JOLLEY,  
*Lieut., R.C.O.C.*

Ottawa, 9/12/36.

M.G.O.

Seen & passed.

NOEL CARR (Sgd.)

*Col. D.M.A.*

*By Mr. McGeer:*

Q. In any event, whatever Major Hahn's plans were they were brought back and presented to the responsible officers of the ordnance branch of the Canadian Department of National Defence. We have that.—A. Yes, it was a proposal at that time for manufacture by Hahn.

Q. Oh!—A. It was a submission which had the appearance of offering or suggesting two alternatives.

Q. We can read the report without any assistance from you. I mean, if you wish to say anything that is not obvious, I mean it was very obvious to every member of the committee that Hahn came back with a program upon which the Canadian government if it decided to go into public production in a public arsenal of Bren guns it could do so; and the evidence is undisputed here except by yourself, and it shows that Major Hahn did that without any arrangement with the Canadian government, and that there was no obligation on the part of the government or any arrangement or understanding to pay him anything for that service.—A. Except, Mr. McGeer, that Major Hahn's evidence here was that he had gone there as a contractor seeking business, and certainly the report of a contractor seeking business is not an independent report to the Canadian Department of National Defence.

Mr. McGEER: Well, the committee heard Major Hahn's evidence.

Mr. GREEN: That is not exactly what he said.

The WITNESS: That is not exactly what he said.

Mr. McGEER: He said that he went over and while he was over there in that capacity he went to get this information for the Canadian government and brought it back and gave it to them without obligation.

Mr. GREEN: He said he went with a lot of hope.

Mr. BERCOVITCH: Oh yes, hope springs eternal in the human breast.

Mr. McGEER: Was there anything wrong with a man putting up a proposition; here, you can go into public ownership if you want to and if you don't want to go into production on a basis of public ownership I am going to go after it as a matter of private enterprise. Surely there is nothing wrong with that.

Mr. GREEN: The minister told us that they could not go into government manufacture for another country.

Mr. BERCOVITCH: That is all right, we have the evidence on that.



*By Mr. McGeer:*

Q. Now, exhibit 144 was the next incident which indicates a movement towards the contract?—A. Well, Mr. McGeer, if you are putting that as a question wanting an answer; you have not by any manner of means indicated the instances which are showing a movement towards a contract. It started long before that.

Q. Let me put this on the record. Every single movement through the proceedings is documented by correspondence which is part of the documentary records, and we have them all before us and have had them before us for many months.—A. Since you have apparently forgotten some let me remind you that this started with a letter by Hugh Plaxton, M.P. dated August 24, 1936.

Mr. McGEER: We have all of that before us. Now, I would like to refer you to exhibit No. 144. This is a part of the departmental record and it is May 28, 1937, addressed to Lieut-Colonel L. R. LaFleche, D.S.O.; it reads as follows:—

Dear Colonel LAFLECHE:

Following the discussion at Whitehall on the 26th May, I spent yesterday at Enfield with Mr. Robinson, the superintendent. Arrangements have been completed to receive the two men we are sending and a tentative plan of operation has been agreed upon.

Mr. Robinson concurs with the suggestion of sending one of their technical men to Canada at a time that will best serve our mutual interests.

We will receive every possible co-operation from Mr. Robinson and his associates. I know he would very much appreciate a visit from you if you could spare the time.

Yours very faithfully,

(sgd.) J. E. Hahn.

That letter was followed by exhibit 145.

The WITNESS: What was the date of that?

Mr. McGEER: It was dated June 3rd. All that I want to point out from that letter, Col. Drew, is that on May 28th, 1937, Major Hahn, according to the departmental records, had made arrangements to have the complete co-operation of the Enfield officials.

The WITNESS: You are forgetting that General La Fleche had been negotiating with and was at London at that time in contact with the war office. Arrangements were made by him.

Mr. McGEER: I want just to take this letter from Hahn dated the 3rd of June and addressed to Colonel LaFleche:—

Dear Colonel LaFleche:

1. A survey of Bren gun costs and production has been made at Enfield by myself. A complete investigation and survey of material, personnel and production facilities in Canada for such manufacture has been completed on the basis of a completely self-contained Canadian unit with a capacity of 2,500 Bren guns per annum single shift. The resulting data and information have been reviewed by the officials of the royal small arms plant and, I am informed, are considered sound and reasonable.

2. We are prepared to manufacture the Bren gun on a cost-plus basis in accordance with the enclosed draft agreement which would afford provision—

Mr. MACNEIL: You missed a line there.

Mr. McGEER: Did I?

Mr. MACNEIL: Yes, you left out the line, "which represents a crystallization of our discussions and".

[Lieut.-Col. George A. Drew. K.C.]

Mr. McGEER: I will read it again:—

2. We are prepared to manufacture the Bren gun on a cost-plus basis in accordance with the enclosed draft agreement which represents a crystallization of our discussions and which would afford provision for a complete supervision by your department of all purchases, production, costs and inspection. It will interest you to know that according to my estimates, the net profit, before federal income tax is taken into consideration, would be approximately 5·4 per cent.

3. It is planned to manufacture 1,000 Bren guns in the first year of operation, 3,000 the second year and 6,000 guns in each succeeding year. I have been advised by the officials of the royal small arms factory at Enfield to allow twenty-four months for the completion of tooling and installation of equipment preparatory to production. However, the continued advice and assistance of these gentlemen will undoubtedly tend to enable us to hasten production.

Awaiting your further instructions,

I am,

Yours very faithfully,

(Sgd.) J. E. HAHN

*By Mr. McGeer:*

Q. And attached to that letter, as you told us yesterday, was a draft contract which is in substance throughout practically the same contract that was signed by the British government and the Canadian government separately with the John Inglis company; you know that?—A. Yes, and in substance the same as the proposal that had been made months before in Canada.

Q. Yes. And that was part of the departmental record produced before the Davis inquiry. Now, exhibit 146:—

ARLINGTON HOUSE, St. James,

LONDON, S.W.1, June 4, 1937.

DEAR SIR HAROLD:

With reference to previous discussions concerning the possibility of manufacturing the Bren light machine gun in Canada, I beg leave to forward herewith two copies of a letter, dated June 3rd, 1937, addressed to Major J. E. Hahn, D.S.O., M.C., on behalf of the John Inglis Company, Limited, of Toronto, Canada. I am sending these documents to you as, presumably, you would care to see the proposal at the earliest possible date. The extra copy is for the technical sub-committee if you desire to submit it.

The proposal has not yet been studied by the Department of National Defence (Canada) but many of the principles mentioned by Major Hahn in his draft agreement have already been approved in Canada.

Yours sincerely,

(Sgd.) L. R. LAFLÈCHE

Vice-Admiral Sir Harold Brown, K.C.B.,  
The War Office,  
Whitehall,  
London.

And they were approved, as you know, and as the evidence showed, in the aircraft contracts; that is correct, is it not?—A. Well, you have said quite a lot—what is correct?

Q. That the principles set out in this contract referred to by LaFlèche in this letter had been approved in Canada, and the reason it had been approved was because they were in the aircraft contracts?—A. I did not know they had been approved in the aircraft contracts at that time.

Q. You did not, well—A. The aircraft contracts—I did not know whether they had been approved at that time or not.

Mr. GREEN: Mr. McGeer, you did not read the note on the side of that letter.

Mr. McGEER: "Note: I spoke to Hon. the Minister before writing this letter. L. R. L."

Mr. GREEN: That is an example of the way the Department of National Defence pushed Hahn in England.

Mr. BERCOVITCH: It is a splendid example, it all depends on which way you look at it.

Mr. McGEER: I have never known a good case to need unceasing repetition, and I have known of repetition that did not hurt.

Mr. DOUGLAS: It is beginning to look like it.

Mr. McGEER: Now, I draw your attention to exhibit 147 dated June 5, 1937:—

Dear Colonel LaFLÈCHE:

I have to thank you for your letter of 4th June with enclosed copies of a letter from Major Hahn, with proposed draft agreement for the manufacture of Bren guns in Canada.

I will have this studied to see how far this would be suitable from our point of view in the event of our placing orders for these guns in Canada. As regards the latter, I presume you will be forwarding concrete proposals officially in due course, together with all appropriate data, estimates, etc., provisional copies of which latter have been handed to me by you, but which Major Hahn has now withdrawn I understand, for revision.

I told you they were revised and sent back.

I shall be glad if you will confirm the above or will let me know if you are expected the next action to come from us.

In the meantime I am arranging for you to discuss the licence question with the Director of Army Contracts.

Yours sincerely,

(Sgd.) H. BROWN.

*By Mr. McGeer:*

Q. Now, these letters indicate and prove that LaFlèche received from Hahn a proposal on May 28, 1937; on June 3, 1937, the following month, that proposal was handed to the British War Minister for study and consideration; do you agree with that?—A. The records that you have read in, of course, are the records of the Davis commission.

Q. You do not disagree with any of them?—A. No.

Q. Now, from June 3rd to November 9th is at least five months?—A. I think it would be, yes.

Q. Well, on November 11th—on November 9th, that is five months after the British War Office had received this draft proposal to consider if they intended to give a contract for the production of Bren guns in Canada, Colonel LaFlèche received this telegram (Exhibit 182):—

For Col. LaFlèche. British government has approved negotiations as to second source of supply of Bren guns in Canada. Present proposed expenditure involved to British government is not regarded favourably

[Lieut.-Col. George A. Drew, K.C.]



but war office is now ready to negotiate for purchase of 5,000 Bren guns manufactured by John Inglis subject to some substantial reduction in cost. Will you arrange for a representative to proceed early to this country for negotiation or do you prefer we discuss with Canadian High Commissioner.

D.G.M.P.

So that one year after Hahn was introduced to the British War Office, one year after he secured the information which he returned with to the department of defence upon which this department had the government so wished could have set up public production of the gun, and five months after a proposal to manufacture Bren guns on a complementary contract was handed by LaFlèche to the British War Ministry, the British War Office advise they are prepared to negotiate for production in the John Inglis plant.

Mr. MACNEIL: What is the question?

*By Mr. McGeer:*

Q. You will agree that the record proves these facts?—A. I agree that the record proves that finally on the date you have last mentioned the British acceded to the constant pressure of the Canadian Department of National Defence to enter into a contract with the John Inglis company.

Mr. McGEER: This committee, Col. Drew, has gone over all the evidence, and I have no doubt when it comes to its final deliberations that will be one of the things it will consider.

Mr. HOMUTH: And can prove it too.

Mr. McGEER: It will be proven, if the members of the committee so desire.

The WITNESS: You have asked me a question.

*By Mr. McGeer:*

Q. I asked you a plain, common, simple question; if the facts I put to you in fact were not established—there may be other facts, I am not dealing with that—but I want you to say whether or not the evidence I have put before you is to your knowledge based on departmental records produced before the Davis commission?—A. I know that the exhibits you have read are a few of the exhibits out of a mass of exhibits during the period covered; of course, there are a great many more related to that inquiry than those to which you have referred, or than those you have read.

Mr. McGEER: I want to put this to you. You have come to this committee. You have cast most serious reflections on the Department of National Defence, and yesterday you made a declaration that went out with headlines to the press all over the country that this was an abominable contract. I want to point out to you that you are not an impartial witness. You were paid to write this article for Maclean's magazine, and you were paid your expenses to represent them at the inquiry before Mr. Justice Davis; and I want you to answer my questions, and I want you to answer them correctly, and you are going to answer them.

Mr. HOMUTH: Mr. Chairman, I rise to a point of order: We are not going to put up with this browbeating attitude on the part of the politicians of the government on this committee.

The WITNESS: Mr. McGeer, you are being paid by the people of Canada to be here, and that does not in any way suggest that you should not be careful in what you are doing.

Mr. McGEER: I feel that I am doing my job for this Dominion when I am bringing to light this malicious maligning of distinguished public servants;

and I am ready to take the matter up with you on any public platform, in Toronto, in Vancouver, or anywhere else that you like, and deal with it, Col. Drew.

The WITNESS: There is no one I would rather take on on a public platform than you, Mr. McGeer.

Mr. McGEER: And the same goes with me; and I believe I could hold my own with you there or anywhere. I hope we shall have the opportunity of getting together on the public platform and discussing this matter.

The WITNESS: I shall certainly be glad to meet you on the public platform here, in Toronto, in Vancouver or anywhere else you like.

Mr. McGEER: I would be delighted to have you in Ian Mackenzie's riding right in Vancouver.

The WITNESS: That would be acceptable to me.

Mr. MACNEIL: Can we have the question answered?

Mr. GREEN: You made one accusation and then you dropped it and went on to something else.

Mr. McGEER: I hope I am not going to have these interruptions continually.

Mr. DOUGLAS: You brought it on yourself.

Mr. MACNEIL: Could we have the answer to the previous question? Could you answer that, Colonel Drew?

The WITNESS: I could not because I do not know what the question is now.

Mr. McGEER: Col. Drew knows far better than you do how to take care of himself and I doubt very much if he wants your assistance.

Mr. DOUGLAS: We never force our assistance on anyone.

Mr. McGEER: No, and you are not likely to either.

Now, Exhibit 57 is dated March 16th, 1938. You see, Col. Drew, you gave evidence yesterday that the Department of National Defence had never consulted anybody—

The WITNESS: No, no, no.

Mr. McGEER: —that was engaged in precision steel.

The WITNESS: I read to you the words of the judge and I am in entire accord with them.

Mr. McGEER: All right, then let me draw this letter to your attention, this also is part of the departmental records.

The WITNESS: What is the date of that letter?

Mr. McGEER: That is dated March 16, 1938, and it is exhibit 57, and it gives a comparison of the cost between the proposed contract and a contract for 7,000 Bren guns to be produced for Canada alone, and it reads as follows:

The attached comparison of costs between the proposed contract and a contract for 7,000 Bren guns to be produced for Canada alone, is submitted in accordance with your request. As in previous analyses of costs, the estimated cost of plant and of production has been taken from estimates submitted by the contractor. These estimates were worked out in collaboration with the Enfield plant officials in England.

And it shows the cost of the machinery at \$1,653,722.60; and it also shows that with the complementary contract there will be a saving to the Dominion of Canada of \$1,372,029.52.

Mr. HOMUTH: Now, Mr. Chairman, the evidence before this committee has disputed that statement Mr. McGeer has made.

Mr. FACTOR: He is reading from the statement.

[Lieut.-Col. George A. Drew, K.C.]

Mr. GREEN: He is putting in propaganda.

Mr. McGEER: Mr. Chairman, that is a falsehood. He says that I am putting in propaganda. That is not so. And just to clear that up, the document that I am reading from is part of the official record, and Mr. Green cannot make a deliberately false statement of that kind and just smile it away.

Mr. GOLDING: He wants to be fair.

Mr. McGEER: I never smile about them, because I never make them consciously. If I have made them it is because I have been in error.

Mr. GREEN: The trouble with you is that you cannot tell the difference between a misstatement and a proper statement.

Mr. McGEER: I am afraid you are a small town lawyer, notwithstanding that we are both from Vancouver.

The CHAIRMAN: Gentlemen, can we not refrain from these personalities?

*By Mr. McGeer:*

Q. What I am reading from, Mr. Chairman, is exhibit 57, produced by the Department of National Defence as part of the departmental record before the Davis inquiry. Have you any reason to dispute the correctness of this statement compiled by the ordnance department of the Canadian Department of National Defence and the Enfield officials and made a part of the departmental record by Major-General Clyde Caldwell, Master-General of the Ordnance? Have you any reason to find fault with that?—A. The trouble is that in all the discussion that has taken place—what were the figures of the machinery cost?

Q. The machinery was \$1,653,722.—A. When you say have I any reason to dispute it, it is difficult to know what estimates amount to seeing that Major Hahn's first estimate was \$500,000.

Q. This was the cost to Canada of 7,000 guns out of 12,000 guns to be produced.—A. I can neither dispute nor approve.

Q. You can neither dispute nor approve.—A. They were the estimates that were sent back from England.

Q. Another statement that is important in that departmental record is this. The Canadian government will recover customs duties on new machinery, \$165,830; import taxes on machinery, \$24,877; sales tax, 7,000 guns, \$211,750; federal income tax on profits accruing to contractor from total contract, \$67,500.

Mr. GREEN: That is a disputable point too.

*By Mr. McGeer:*

Q. I am only reading the record of Major-General Clyde Caldwell. The next item is payment of  $\frac{1}{12}$  cost of plant and tooling by Great Britain, \$551,240. Total recovery to Canada, \$1,021,198. Net Canadian cost of 7,000 guns with British order, including complete plant cost, \$3,515,894.11. That was a departmental record when you wrote your article.—A. That saving is in no way peculiar to the Inglis company contract.

Q. I am not talking of whether it is peculiar or not. I said that was a departmental record at the time you wrote your article; was it not?—A. That was produced from the records of the department at the Davis inquiry and would be equally applicable to any joint contracts under similar arrangements with anybody else.

Q. It was dated March 16 and was in existence at the time you wrote your article. Why, then, did you not tell the people of Canada some of these facts instead of leading them to believe that the costs of the Canadian guns was going to be \$8,000,000?—A. Now, Mr. McGeer, in the first place, the article does not suggest that the cost of the Canadian guns is going to be \$8,000,000.



It is explicit that the article refers to the joint contracts and you are entirely misrepresenting the words of the article when you suggest that.

Q. All right, we will deal with that later.

Mr. GREEN: You have a lot of things to pick up later.

Mr. HOMUTH: It will take a lot of scratching to find them, too.

*By Mr. McGeer:*

Q. Now, on 11th November— —A. Of what year?

Q. 1937—exhibit 187. Oh, by the way, Colonel Drew, may I just refer to one other matter now that you know from the departmental records that Sir Harold Brown and the Enfield organization were in collaboration estimating the costs of the Canadian gun and that Hahn had arranged for experts to come to Canada in the event of production here. Do you now persist in your statement that no one experienced in the precision steel industry was consulted before the contract was executed?—A. That is just an example of the type of question which has been causing difficulty. I am going to answer the question and give a proper answer and you are not going to put words in my mouth. What I said was this, and what the judge said in his report was, that no one was consulted who was expert in the manufacture of precision steel by the Canadian government. And I stand by that now. Hahn had all the way through, by his own evidence, been a contractor seeking business, and his consultation cannot be a consultation on behalf of the Canadian government.

Q. Let me read you the last portion of Major-General Clyde Caldwell's letter:

These estimates were worked out in collaboration with the Enfield plant officials in England.

Mr. GREEN: By Hahn.

Mr. BROOKS: And the Enfield plant do not know themselves what the cost of the gun is going to be.

Mr. McGEER: Mr. Green, you are doing that deliberately.

Mr. GREEN: How do you know that?

Mr. McGEER: I do not think you could be guilty of so gross an error without having some design. Let me read the letter to you again:—

The attached comparison of costs between the proposed contract and a contract for 7,000 Bren guns to be produced for Canada alone, is submitted in accordance with your request. As in previous analyses of costs, the estimated cost of plant and of production has been taken from estimates submitted by the contractor. These estimates were worked out in collaboration with the Enfield plant officials in England.

Mr. GREEN: By whom?

Mr. McGEER: By Clyde Caldwell.

Mr. GREEN: Where is the record that he went to England?

Mr. McGEER: It is furnished by the Master-General of the Ordnance.

Mr. HOMUTH: Where is the record that Clyde Caldwell was in England in collaboration with the Enfield officials?

Mr. GREEN: They should have sent a capable representative to England to get all these facts.

The WITNESS: I think you will find these figures were prepared on the basis of figures furnished by Major Hahn.

[Lieut.-Col. George A. Drew, K.C.]

*By Mr. McGeer:*

Q. I may not be able to read, but it says:—

As in previous analyses of cost, the estimated cost of plant and of production has been taken from estimates submitted by the contractor.

A. Estimates submitted by the contractor.

Q. Of plant and of production. These estimates were worked out in collaboration with the Enfield plant officials in England.

A. Certainly, by the contractor, as stated there. The evidence is quite clear on that in the record.

Q. Well, I am not going to argue a matter so plain and simple as that. Mr. McNEIL: Better not.

Mr. McGEER: My friend says "Better not." All the members of this committee can read as well as I can, and I am satisfied to leave the matter without any further discussion to the intelligence of this committee, notwithstanding that my friend is on it.

Mr. DOUGLAS: That will bring the average up.

Mr. BERCOVITCH: Mr. McGeer, some of us cannot only read but few of us who read understand.

Mr. DOUGLAS: I hope you include Mr. McGeer in that.

*By Mr. McGeer:*

Q. I appreciate the difficulties here. I want to draw your attention to another matter. You would not disagree with the Department of National Defence, would you, Colonel Drew, if in trying to get as safe and as sound a contract as it could secure for the production of Bren guns here it worked at costs and estimates in collaboration with the officials at Enfield?—A. I think it would have been a splendid thing if they had sent some one who was competent to work out the figures, to Enfield,—to work the figures out on behalf of the Department of National Defence.

Q. Do you know that during the whole period of time we had our liaison officers in London in touch with the British war office?—A. I think perhaps I know as much about the officers in London as you do, Mr. McGeer.

Q. Well, I am going to deal with that, and show you the extent to which we have officers over there on the ground.—A. There was an ordnance officer sent over there.

Q. Oh.—A. Sent to Canada House, as you remember.

Q. No, no, there was an ordnance officer over there who was authorized to do certain things and who was there all the time.—A. Yes, but he was at Canada House.

Q. That is his headquarters in London, but he was to keep on maintaining contacts with the British war office. In any event, we come to another interesting matter. You remember exhibit 52?—A. What date is that?

Q. That is January 26, 1938, from the Bank of Montreal, Toronto, 30 Yonge Street:—

Dear Colonel LAFLECHE,

I had a conversation this morning with Mr. William T. West, Comptroller of the John Inglis Co. Limited, and at his request I enclose copy of Dun & Bradstreet Mercantile Agency report upon the John Inglis Co. Limited.

It might be interesting to you to know, in connection with the plans for the contract which Major J. E. Hahn is interested in, that this matter was discussed with us in Toronto during the fall of 1936 and later in December of that year he proceeded to Montreal and had an interview

with our head office for the purpose of outlining arrangements for the financing of the purchase of machinery which would be required in regard to the plan for the manufacture of a certain weapon for the Canadian government. Subsequently it developed in the negotiations that this financing for the machinery was not necessary and since that time, to our knowledge, that portion of the plant which would be required for this work has been kept available. Furthermore, in view of the apparent imminence of the conclusion of these negotiations, the company has postponed from month to month any large scale operations, pending the decision which has been constantly expected.

Mr. GREEN: Until they got the Bren gun contract.

*By Mr. McGeer (continuing):*

I might add further that the new personnel of the John Inglis Co., Limited, is of high standing and well known to us as customers over many years. They have had a broad and successful experience in mass production of precision equipment. Major Hahn, who is the principal figure behind this enterprise, is held in high regard by us and we have been closely associated with him in his business over a period of many years. He is a man of integrity, very energetic, and singularly capable in his technical, executive and organizing ability, and highly regarded generally.

In conclusion, I might say that for personal and banking purposes I assured myself some time ago, and recently, of the financial position of Major Hahn, as well as the standing of his associates. My finding is that they are possessed of substantial means and in my opinion sufficiently so to undertake such a contract as that for which they are negotiating.

I am, yours very truly,

(Signed) H. F. SKEY,  
Manager.

Can you find any fault with that letter of recommendation to the officials of the Canadian government from the Bank of Montreal?—A. I certainly can.

Q. What?—A. Well, I am afraid that that letter leaves me with the same impression about some bankers that you have displayed on different occasions. I do not—

Mr. DOUGLAS: The hens come home to roost.

The WITNESS: The letter, as a matter of fact, is an extremely interesting one, and that encloses the copy—

*By Mr. McGeer:*

Q. What in it do you find fault with?—A. I find fault with the statement that it conveyed the impression of Hahn's stability in relation to his business which was unjustified at that particular time, and the further statement that the plant had been holding up operations ever since the beginning of negotiations, which was not borne out by the evidence.

Mr. MCPHEE: Everyone is out of step but my son John.

*By Mr. McGeer:*

Q. I just want to put what this letter says to you. After all, the Bank of Montreal is a responsible organization in Canada.—A. They will be glad to hear that from you.

Q. Well, I have never said anything to the contrary, and the members of the Bank of Montreal, many of whom I know personally from the president

[Lieut.-Col. George A. Drew. K.C.]



down to some clerks in Vancouver, I have found to be of the highest integrity; and if you think I have any ideas that our bankers are dishonest and untruthful, I want to rid your mind of that, and I want to dissociate myself at once from the slurring and malignant castigation you have now placed upon Canadian bankers.—A. That makes a good speech, but has no relation to what I said at all, and you know it.

Q. You said to me that your impression of this letter led you to believe that your opinion of bankers was something like my own. Well, I am letting you know what my own is. It is an opinion of the highest regard for the truth of a letter of that kind written after investigation.—A. All I can say is that you should examine the evidence which preceded that and find out how inaccurate the statements are, and they are not false; they relied, apparently on the statements of Major Hahn.

Q. He says this:

I might say that for personal and banking purposes I assured myself some time ago and recently of the financial position of Major Hahn, as well as the standing of his associates.

He also tells the department, after having made this investigation, "they have had a broad and successful experience of mass production of precision equipment". He refers, no doubt, to Hahn, to Ainsworth and to McLachlan.—A. If he did, then he was most inaccurate in his statement.

Q. The only man that says that Hahn has not been engaged in precision production or in the production of precision equipment is you.—A. No, no. The judge says so.

Q. Oh no he did not.—A. I beg your pardon—

Q. In any event— —A. Let me read that:—

Notwithstanding that the contract involves the expenditure of several millions of dollars by the Canadian government, no industrial producer (other than Major Hahn) was consulted by the Department of National Defence as to the proposed manufacture of Bren guns for the Canadian government or invited to give competitive bids or terms of manufacture. Nor did anyone, so far as the evidence shows, ever visit any industrial plant (except Inglis) to consider the possibility of production of Bren guns in Canada.

Mr. BERCOVITCH: So the judge does not say that?

*By Mr. McGeer:*

Q. The judge does not say Hahn had no experience in the production of precision equipment.—A. Just a minute now.

Q. He says the very contrary; he says he was engaged in the production—  
—A. Of radios and refrigerators.

Q. But they are precision equipment.—A. Not precision steel.

Q. Yes, precision steel.

Mr. GOLDING: Back up your statement.

*By Mr. McGeer:*

Q. Now, you of course also know that attached to that letter was the Dun & Bradstreet report?—A. I do.

Q. And the Dun & Bradstreet report shows that the plant and equipment had been purchased for \$250,000—

Mr. GREEN: Read the report.

Mr. McGEER: All right, I will read it right into the record now.

"Dun & Bradstreet

The Mercantile Agency

INGLIS JOHN CO. LTD.

Engineers & Mnfrs. Steel Equipment.

Toronto, Ont., 14 Strachan Ave. 2.

Major Jas. E. HAHN, President.

Wm. T. West, Comptroller.

CD B 37 34 Jany. 13, 1938.

### History

This company had its inception in Guelph, Ont., in 1860, when the late John Inglis commenced the business; they moved to Toronto in 1889 and were known as John Inglis & Sons. In 1899 Wm. S. B. Inglis purchased the control and the company was incorporated as John Inglis Company, Ltd.

The company from its inception, did a large and successful business, becoming one of the largest manufacturers of turbines, boilers and special steel fabricators in Canada.

Beginning with 1929 and 1930 volume fell off materially and the company had difficult times.

In 1935 Wm. S. Inglis died and shortly afterwards Campbell Reeves, a former member of the firm and a holder of quite a block of bonds, took the management.

Volume of business did not increase and April, 1936, the Premier Trust Co., Toronto, were appointed interim receivers. Finally the bondholders took control of the fixed assets, while the bank took possession of the stock and accounts.

In the fall of 1936 the plant and assets were purchased from the bondholders by a new group headed by Major James E. Hahn and a charter was obtained under Ontario laws, as British Canadian Engineering Ltd., November, 1936, with authorized capital \$250,000 in shares of \$1; subsequently the par was changed to \$6. Since the plant has been completely overhauled and a certain amount of work done for old customers.

In June, 1937, the charter was amended changing the name to John Inglis Co., Ltd.

Major Hahn has associated with him a number of responsible people, whose names for the time being are not divulged.

### Statements

Their balance sheet as of December 31, 1937, shows as follows:

ASSETS		LIABILITIES	
Cash .....	\$ 90,970 00	Accounts payable .....	\$ 10,000 00
Accounts receivable .....	20,000 00	6 p.c. 5-yr. mortgage bonds	150,000 00
Inventory .....	9,500 00	Capital stock—	
		Authorized 250,000 shares par	
		value each \$6; Issued 220,000	
		shares.	
		Net amt. received on the issue	
		of the above stock.....	1,250,000 00
	<hr/>		<hr/>
	\$1,410,000 00		\$1,410,000 00 "

Mr. GREEN: Largely water. A. \$250,000 plant listed at \$1,250,000.

Mr. BERCOVITCH: Why does not Mr. Green step into the box when he makes a statement like that?

[Lieut.-Col. George A. Drew. K.C.]

Mr. McGEER: I am just coming to that.

The CHAIRMAN: Order.

Mr. McGEER: "The five-year mortgage bonds \$150,000 were given to Campbell Reeves who was the principal bondholder of the previous company.

This enterprise now has its affairs simplified, in strong hands, who have ample financial backing.

The principal one at interest is Major Hahn, a native of Ontario who, after he returned from overseas, organized the De Forest Crossley Co. Ltd. which was afterwards sold to Rogers Majestic Corporation. Is well to do and capable.

1-13-38. 5.

N.Q."

*By Mr. McGeer:*

Q. Now, Colonel Drew, I want to put these questions to you. If that report from the Bank of Montreal enclosing the report of Dun & Bradstreet were handed to a responsible Canadian official, was he not justified in acting on the belief that the information was true and correct?—A. They were not justified in acting on this, because if you will read the minutes of the interdepartmental committee you will find that what they had asked for was a financial statement, and that is not a financial statement, and if you will hand me the report—

Q. All right.—A. May I see it?

Q. Yes.—A. For instance, there is a statement here "issued 220,000 shares, net amount received on the issue of the above stock \$1,250,000." Not one cent had been received on that stock at that time.

*By Mr. Taylor:*

Q. Is there any evidence of that? Do you know that of your own knowledge?—A. Yes. Accountants went into the records.

*By Mr. McGeer:*

Q. I want to tell you that that is absolutely false.—A. It is not false.

Q. I will produce the books of the Hahn company to prove it.—A. We have records prepared by competent accountants engaged by the government that showed that they had not put any capital in it at that time.

Q. He told us how much there was paid in before this date?—A. That was not for the issue of the stock.

Q. Of course it was for the issue of the stock; and I am going to deal with that falsehood about the stock in a minute.—A. Mr. McGeer, do not make those statements.

Q. I am making the statement that your statement now before this committee, to the knowledge of every member of the committee who heard the evidence, is absolutely false.

Mr. MACNEIL: No, not at all.

Mr. GREEN: Speak for yourself.

Mr. DOUGLAS: You make your own accusations. Do not bring us into it.

The WITNESS: I, at least, cease to expect any courtesy from you, Mr. McGeer.

Mr. DOUGLAS: Did you make that statement?

A hon. MEMBER: Sit down.

Mr. DOUGLAS: Who is the gentleman across there who said "shut up"? Who made that remark? I think it is time this sort of statement should be stopped, Mr. Chairman. If any member wants to step out and say "shut up" to me, I am quite willing to do it.

An Hon. MEMBER: Sit down.



Mr. MACNEIL: That is a point of order. Stick to it.

Mr. DOUGLAS: I am rising to a point of order.

The CHAIRMAN: I was just wondering if my hon. friend meant me.

Mr. DOUGLAS: I just rise to a point of order, and that is that so long as we are in this committee we should have the protection of the chair as to remarks of that kind. If any member wants to make them outside of the committee, that is on his personal responsibility; but he cannot make them in this committee. I ask you, Mr. Chairman, to give us the protection of the chair.

The CHAIRMAN: I was going to ask you a question when you made your statement about going outside. I was wondering whether you were looking at me.

Mr. McGEER: I also got very nervous.

The CHAIRMAN: I am very apt to accept suggestions of that kind.

Mr. FACTOR: That was only a figure of speech.

Mr. GOLDING: Mr. Chairman, this is the gentleman who, when someone made a remark here, interjected that he did not want any of those remarks from back benchers, to a member that has been in parliament for years and years.

Mr. McGEER: I will take the blame for that incident.

Mr. GOLDING: And here he is objecting to remarks.

Mr. DOUGLAS: I have at no time told any member to shut up; and I do not think that I should be told to shut up.

Mr. GOLDING: You have no right to talk to any member in that way, and you know that.

Mr. TAYLOR: (Norfolk): Mr. Chairman, I was responsible for this. I did not think it was on the record. I said to my friend beside me that the preacher should shut up. I did not think it was on the record.

Mr. DOUGLAS: I thought you addressed me. I am sorry.

Mr. TAYLOR: No. I was talking to my partner here.

Mr. GREEN: Mr. Chairman, you can go outside with Mr. Douglas.

The CHAIRMAN: Gentlemen, may I ask you now if everybody is satisfied with this last discussion, and if we may proceed?

Mr. MACNEIL: There is no decision.

The CHAIRMAN: Nobody went outside.

*By Mr. McGeer:*

Q. As a matter of fact, these reports were sent by the Deputy Minister of National Defence, through the acting assistant to the deputy minister, Charles Burns, to the interdepartmental committee, to Mr. Fraser Elliott, and he told us that they acted on them?

Mr. GREEN: Mr. McGeer, the letter enclosing those statements is really exhibit 52, which are only schedules. I wonder if you would read exhibit 52.

Mr. McGEER: Yes, it reads:

At the last meeting of the interdepartmental committee which was held on the 24th instant, the question of the financial position of the John Inglis Co. Limited, was mentioned, and it was observed that the required information was not available. I then requested a statement from the firm, and I have received a letter from Mr. H. F. Skey, Manager of the Bank of Montreal, in Toronto, to which was attached a report upon the John Inglis Company from Dun & Bradstreets, Mercantile Agency.

[Lieut.-Col. George A. Drew. K.C.]

In this the financial position of the company is touched on. Page 2 of their statement shows the assets of the company as \$1,410,000.

Mr. GREEN: What letter is that you are reading from?

Mr. McGEER: That is exhibit 52, under date of January 31st, 1938. The financial statement of the company which was requested is on page 2 of Dun & Bradstreet's report, and shows the cash on hand as \$99,970; accounts receivable, \$20,000; inventory, \$9,500; land, buildings, machinery and equipment, \$1,280,000; and it shows under liabilities, accounts payable, \$10,000; 6 per cent five-year mortgage bonds, \$150,000; capital stock—authorized 250,000 shares par value each \$6, issued, 220,000 shares, net amount received on the issue of the above stock, \$1,250,000. That was the statement of Dun & Bradstreet presented to the Department of National Defence by the Bank of Montreal, in a statement which said that the Bank of Montreal was satisfied with Major Hahn and his associates both as to personnel, experience in the manufacture of precision steel and—

The WITNESS: There is no mention, is there, of precision steel there?

Mr. GREEN: No.

Mr. McGEER: Precision equipment.

The WITNESS: That is a very different thing.

Mr. McGEER: It says:

I might add further that the new personnel of the John Inglis Company Limited is of high standing and well known to us as customers over many years. They have had a broad and successful experience in the production of precision equipment.

The WITNESS: Now, Mr. McGeer, that statement is wrong, as I feel sure you know.

Mr. BERCOVITCH: Every statement is wrong.

The WITNESS: No, that statement. Mr. Bercovitch, that statement is wrong for this reason, that at that time the evidence is quite clear that the only people who had any interest in this company were Major Hahn, Gordon Plaxton, Bert Plaxton, Cameron, Pointon and Merritt, three brokers, and the evidence was quite clearly given, I believe, by Major Hahn himself that not one of those, except Major Hahn, had had any previous industrial experience of any kind. Yet this letter says they had industrial experience. Major Hahn was the only one with any previous industrial experience in that group.

Mr. BERCOVITCH: I am wondering whether there was anything in what Mr. McGeer has read this morning from the exhibit that is clear.

The WITNESS: Not much is clear. I will agree with that.

Mr. BERCOVITCH: I knew you would say that.

The WITNESS: You asked me.

Mr. BERCOVITCH: I expected that answer.

The WITNESS: Fine. We are in agreement.

Mr. BERCOVITCH: We will not go out and fight about it.

The WITNESS: All right. We are in agreement.

*By Mr. McGeer:*

Q. The interdepartmental committee did ask for a financial statement and the financial statement that they received was a letter from the Bank of Montreal which I presented to you and a report of Dun & Bradstreet's. In investigating the financial capacity of an industrial concern, do you know of any better source to go to than the bankers of the industrial concern or the well-known investigating agency of Dun & Bradstreet in Canada?—A. I certainly do.

Q. Who?—A. I would have insisted upon exactly what they apparently asked for and that was a financial statement as it is known—a financial statement by a chartered accountant.

Q. All right. On March 14, 1938 exhibit 56, there is a report of the members of the interdepartmental committee on the control of profits, and it states that the interdepartmental committee has gone over this contract, clause by clause; and in the matter of the investigation of financial affairs it says this at page 3:

Information as to the cash position of the company was desired. Please see Major Hahn's letter dated March 1, 1938 and letter dated March 2, 1938 from the Manager of the Bank of Montreal, Toronto, Ontario. Both are quoted below.

And it goes on to say:

Our financial set up has been based upon a projected budget that provides for a conservative amount of this standard business, and ample working capital. The actual cash invested to date by the present shareholders—

That is at March 14.

Mr. GREEN: What year?

Mr. McGEER: 1938. Continuing:

The actual cash invested to date by the present shareholders, \$160,465; bondholders interest, \$150,000; additional cash capital committee for by present shareholders, to be provided prior to the manufacture of Bren gun, \$189,535; additional working capital guaranteed by present shareholders as required by company, \$100,000; revolving bank loan which will be arranged as required, \$200,000.

The working capital of the company will be approximately \$335,000, not including the revolving bank loan of \$200,000.

And further down:

In connection with commitments for further capital to be put into the business to the amount of \$189,535, these are spread over a period from 15th August, 1938 to 1st October, 1939, as follows:

To be paid 15th August, 1938.....	\$ 39,535
To be paid 15th January, 1939.....	40,000
To be paid 15th July, 1939.....	40,000
To be paid 1st October, 1939 .....	70,000
	<hr/>
	\$189,535

Our understanding is that the above commitments represent a continuation of the original cash commitments made when the business was purchased which have all been made. As previously advised you in our letter of 26th January, we have a high opinion of the personnel of this company and consider them to be quite responsible for their obligations.

That is, again, a letter from the Bank of Montreal. Now, the interdepartmental committee apparently had before them information from the Bank of Montreal that the working capital was to be \$335,000 together with a revolving bank loan of \$200,000; that was part of the departmentary record, you recall that, do you not?—A. That was on the file here, yes.

Q. That file is part of the departmental records of the department of National Defence?—A. It says so here, yes.

[Lieut.-Col. George A. Drew. K.C.]



Q. Might I just ask you, what do you find wrong with the statement that the net receipts for the stock issued are \$1,250,000?—A. Anyone reading that would take it as a cash receipt.

Q. Do you say that if I turned assets into a company for stocks that those assets would not show as the receipt for the stock issued?—A. Not as cash.

Q. It does not show here as cash?—A. It says, received for 220,000 shares issued, \$1,250,000—and some odd.

Q. No, you apparently are misreading the statement.—A. All right. Read what it says.

Q. "Issued 220,000 shares, net amount received—" —A. "Net amount received."

Q. Net amount, not cash amount; net amount; it does not say anything about cash. It says, issued 220,000 shares, net amount received on the issue of the above stock, \$1,250,000?—A. I still say that the ordinary English language would mean that that was cash received; no one could interpret that otherwise.

Mr. McLEAN: Oh, no.

*By Mr. McGeer:*

Q. If that is your idea as a lawyer of company accounting then of course it differs from mine, but we perhaps would differ on many things?—A. I do not, of course, agree that that is a regular financial statement in any way.

Q. Do you suggest that the assets that were turned into this company for these years would not have a value of \$1,250,000?—A. I certainly do. The value of the assets established by the sale showed assets of \$250,000 as of that time.

Q. Let me put this to you; you know the Premier Trust Company?—A. I do.

Q. They are a responsible organization in Toronto?—A. Oh, yes.

Q. And a trust company that has a right to deal with the assets of estates; that is right, isn't it?—A. Oh, yes.

Q. Do you know the insurance companies of Canada, and you know that the evidence has shown that the Premier Trust Company had these assets, that is the building of the machinery not the plant, insured for \$1,250,000, do you not?—A. I know perfectly well, as you do, that the insurance had been carried forward on these buildings at the time they were taken over under the receivership. I know that the value of this was fixed by the sale that the trust company had been considering in respect to this property for some time. As a matter of fact, a very wealthy man in Toronto according to the evidence had had an option on the plant and turned it down. It was sold for \$250,000. Let me say this, that as a trust company they were under an obligation to sell it for the best price they could, and surely the sale established the price.

Mr. BROOKS: Might we not refer to exhibit No. 5-B, that is the court order under which this property was sold.

Mr. McGEER: There is no dispute about what it was sold at.

Mr. BROOKS: Just let us clear up this point. On page 2 of that court order it says:—

This court doth declare that such sale for the consideration and upon the terms set forth in said offer is fair and reasonable having regard to the interests of all of the parties interested in the property"—and so on.

Mr. McGEER: What I want to point out to you is this, that if a fire had occurred the Premier Trust Company on behalf of the bondholders, where the plant was carried at an insured value of \$1,250,000, if the plant had burned down the insurance companies would have been called upon to pay the amount of the insurance value.

Mr. GREEN: Oh no.

The WITNESS: They would not, Mr. McGeer and you know very much better than that. You know perfectly they are not bound to pay one cent more than the real value of the property, and it is not conceivable that they would have paid more than this property could have been sold for.

Mr. McGEER: That is exactly what I said, and we have all the evidence on the appraisal value of the plant.

The WITNESS: That appraisal is of 1929.

Mr. McGEER: And the value in the books of the plant as at 1936, considerably over a million dollars.

The WITNESS: Well now, you have done two things; the appraisal was made for a going company in the boom year of 1929, and had nothing to do with this contract as it then existed.

*By Mr. McGeer:*

Q. Do you think that the insurance companies to-day are not aware of the value of that plant as a going concern?—A. I am going to say, and I shall not vary it in any way, that the trust company was under an obligation to get the best price it could, and they even obtained a court order that a fair value of the property was \$250,000.

Q. Very well.—A. And they would be negligent and could be sued if they had sold that property for \$250,000 if in fact it was worth \$1,200,000.

Q. The firm of John Inglis Limited still carry insurance on that plant at \$1,250,000?—A. I would have thought it might have been more than that because they have put a lot of money into it since.

Q. They have made it much more valuable than it was?—A. There is no question about that.

Mr. HOMUTH: Did that include insurance on the government machinery?

Mr. McGEER: No, that is the company's insurance.

*By Mr. McGeer:*

Q. Now, your objection is that because they took a plant that was closed down and converted it into a going concern and put it into a new company at the book values that existed on the books of the old company they committed fraud; is that right?—A. That is not the situation at all. The situation was very interesting, and very involved because of the stock watering in it. There was more "water" put into that company than any other company I have even seen where stock was sold in the Province of Ontario. 76.6 per cent of the stock of this company was "pure water" if you can call it that.

Q. Salable to the public?—A. Ultimately salable to the public.

Q. And now you use the word "ultimately"?—A. I am not going to use your word.

Q. You did know when the article was written that 191,000 shares, that is the total of the vendor's stock, was held in escrow by the Bank of Montreal under a letter to the Securities Commissioner of Ontario, that it was not to be sold, or dealt with in any way, without his consent; you knew that, didn't you?—A. I will agree with you as to the majority. It was not 191,000, but it was a substantial number—

Q. It was 191,000 less something.—A. —that had been sold.

Q. No, that had not been sold.—A. And was subsequently sold.

Q. No, it was not sold at all, it was hypothecated.—A. Some of Mr. Bert Plaxton's stock was.

[Lieut.-Col. George A. Drew, K.C.]

Q. It has not been sold. You have also got the evidence of Major Hahn here that he does not intend to sell that stock, that he bought it to keep it.—  
A. As to that, what he intends and what can be done are two different things. This stock in the bank can be sold.

Q. With the consent— —A. Without the consent of any one.

Q. Then I cannot read.—A. Now, if you want to know it, I will explain how it can be done. At the time of the inquiry last fall Major Hahn only was shown as holding one share of stock of the John Inglis company on the books of the company. The president of the company had one share in his own name, and the remainder of his stock was in the name of a company known as Investment Reserves Limited. And the stock that belonged to him that was on deposit in the bank was in the name of Investment Reserves Limited and was endorsed in blank by that company and was in a large number of smaller certificates of varying amounts, known in the brokerage business as street certificates. And you know and I know that there would be absolutely nothing to prevent Major Hahn selling the beneficial ownership of these shares, and all that would be required would be that some one else would prove that they were the beneficial owner of these shares on deposit in the bank.

The CHAIRMAN: Gentlemen, it is 1 o'clock. Is it the wish of the committee to convene again at 3 o'clock?

Mr. McGEER: Make it 2.30.

The CHARIMAN: The meeting stands adjourned until 2.30 this afternoon.

The committee adjourned at 1 p.m. to meet again at 2.30 p.m. this afternoon.

#### AFTERNOON SESSION

The committee resumed at 2.30 p.m.

The CHAIRMAN: We have a quorum, gentlemen; if you will come to order, we shall proceed with the witness.

Mr. GREEN: Mr. Chairman, Mr. Golding wanted to have that reference this morning.

Mr. McGEER: What page is it?

Mr. GREEN: It is on page 140. Do you want me to read it?

Mr. GOLDING: Yes, you can read that, if you please, Mr. Green.

Mr. GREEN: We were dealing with the statement of costs given by Mr. Elliott, which is found at page 157 of the evidence:—

*By Mr. Green:*

Q. May I trace that, Mr. Elliott? The total estimated cost of producing the 12,000 guns is shown by the statement. Am I correct, Mr. Elliott, in saying that the figure would be made up as follows: first of all, the estimated cost, including spare and component parts, \$6,966,210?—

A. That is correct

Q. Then we have to add to that the Ross rifle machinery which at the last meeting was set at a cost of \$209,872.32, making a total of \$7,176,082.32 and then the profits of \$450,000 on top of that. Is that correct?—

A. That is correct, if your presumptions are right, and I think they are as I state.

Q. What about the costs of the tripod?—A. That is outside the contract.

Q. Is the Inglis company not making tripods?—A. I cannot give any evidence on that, I do not know.



Then it goes on again at page 141. Incidentally, the minister said in the house the other day that the tripods were to cost \$700,000 and that there were accessories including tripods of \$1,192,400. Then I go on:—

Q. Then, there is the royalty of \$15 on a gun which would make another \$180,000 added to the cost?—A. No; we are talking of costs for making the guns in Canada as between the contractor and the government.

Q. I want to get the total estimated cost to Canada of the guns?—A. Well, I would not like to give evidence outside the contract. You may put it in if you wish, but do not ask me to join with you.

Q. The total cost as between the government and contractor estimated is \$7,636,082.32.

That includes Ross rifle machinery and profits. Then Mr. McGeer interjected there. And continuing down below:—

Q. The total costs. We agree as far as the \$7,176,000 is concerned—A. What are you reading, \$209,000, and you are adding that to the figure of \$6,966,000?

Q. \$209,872.32.—A. Let us stay in the dollar column. That makes \$7,126,000.

Then I corrected him:—

Q. \$7,176,000.

Mr. McGEER: Then he corrected you by repeating the right figure, \$7,176,082.

Mr. GREEN: He was sticking to the thousands and I did that too. Then he added the \$82,000 odd.

Mr. GOLDING: Go on.

Mr. GREEN: Yes. Continuing:—

Q. Add to that a profit of \$450,000.—A. Before we go on to that profit let us pause a moment. That \$209,000 which you are saying is a cost in this contract we are speaking qua contract,—

Mr. GOLDING: Sure.

Mr. GREEN: Machinery is a factor. Continuing—

—and the cost that we consider as between the contractor and the government does not include the \$209,000; therefore we are moving outside the realm of the contract to go to a broad government consideration—

Mr. GOLDING: Yes.

Mr. GREEN: Continuing:—

—and you suggest that in this present contract in these years concerned we have to add a cost of \$209,000 outlay in connection with this contract. I suggest that we have the machinery and that the best we can do is to put a value upon that machinery which is going to be used in this contract to help produce guns, and the cost would be the depreciation suffered by the machinery in doing the job, but not the \$209,000.

Q. The other day Colonel Orde told us that the machinery which had been turned over to the Inglis Company from the government arsenal was valued at \$209,872.—A. I will accept that.

Q. I may be wrong in including that in my figures but I think it is part of the cost to Canada.

Mr. McGEER: No.

The WITNESS: May I show you where you are wrong?

Mr. GREEN: Let the witness answer.

[Lieut.-Col. George A. Drew, K.C.]

Mr. McGEER: You are stating facts which are not proved.

The WITNESS: Let me show you, Mr. Green, where you are wrong. This machinery is worth, let us agree for argument's sake, \$209,000. It is put into the John Inglis Company's plant for use in making guns. At the end of that gun-making period we still have that machinery, so we must say to ourselves, what is the cost of making the guns in relation to the machinery we are discussing? Obviously the amount that we have suffered by way of depreciation. There is still a residual asset left at the end of the contract; therefore the cost as a cost in this gun-making business is the depreciation for four years—

Although the licence is for ten years, renewable.

Mr. McPHEE: He did not say that.

Mr. GREEN: I am saying that.

Mr. McGEER: You should not when you are quoting from the record.

Mr. McLEAN (Melfort): Mr. Chairman, are we going to have to listen to this long reading?

Mr. MacNEIL: It was requested.

Mr. McLEAN: It was not.

Mr. GREEN: I did not ask to read it. Your own member asked for it.

Mr. McLEAN: The request was made for the reference where Mr. Elliott accepted the figures of Mr. Green. But he has gone far beyond that, Mr. Chairman; he has not proved his point.

Mr. GOLDING: He does not accept them.

Mr. McLEAN: Mr. Elliott has not accepted his figures. He has not proven his point. I submit it is out of order for a long reading of this kind to continue.

Mr. GOLDING: He does not accept them. It is right here.

Mr. GREEN: You had better wait until I finish.

Mr. GOLDING: He shows you where you are wrong.

The CHAIRMAN: I believe the hon. member would like him to finish reading that paragraph.

Mr. GOLDING: Yes.

Mr. McLEAN: On the point of order, Mr. Chairman, may I ask if there is any sense in this long-continued reading? He is giving a reference and has not proved his point at all.

Mr. GREEN: I have proved it.

Mr. McLEAN: Mr. Elliott does not accept them.

Mr. GOLDING: He does not agree.

Mr. McGEER: At page 143—

Mr. GREEN: Just wait a minute, please. You can read what you wish after I am through. Continuing:—

Q. That depends on how long the guns are made. The gun licence is for a period of ten years.—

Mr. McPHEE: No; you interjected in there something about licences which is not in the paragraph at all.

Mr. GREEN: Going back:

Therefore the cost as a cost in this gun-making business is through depreciation for four years on \$209,000, and if you take a rate of 10 per cent for four years it would be \$80,000, not \$209,000.

Q. That depends on how long the guns are made. The gun licence is for a period of ten years, at least renewal for a ten-year period.

That should be "renewable". Continuing:—

A. You must have reference to another point in the contract. We want to get at the costs that we are now talking about. I suggest at the end of the four years there is a breach of the contract.

*By Mr. MacNeil:*

Q. Why don't you put the investment in machinery on a parity with the machinery now being purchased?—A. Because that is the actual outlay, the cash outlay of the government by reason of making the contract.

*By Mr. Green:*

Q. Whether it is machinery that is bought or machinery that is put in ourselves, it amounts to the same thing?—A. The amount paid out on the gun, are the amounts that I want you to put in on the costs.

*By Mr. MacNeil:*

Q. If the government was not in possession of the machinery it would have to undertake a further outlay of possibly \$209,000.—A. On these subjunctives, I would say that is correct.

*By Mr. Green:*

Q. I want to get the total figure from Mr. Elliott.—A. I do not join with you on the \$209,000. I give you readily 10 per cent for four years on that as a cost—\$80,000—not more. That is high.

Q. then you have to add a further figure of \$450,000 for costs, and, as I estimate it, that would mean a total cost of \$7,626,092, including, of course, the Ross rifle equipment at \$209,999 odd?—A. If you are going to do it that way, I understand that.

Q. That figure would be correct on that basis?—A. If the \$450,000 is the correct figure.

Q. Over and above that there is, as a matter of fact, a royalty of \$15 per gun which adds another \$180,000?—A. Outside of the contract. That is what I understand.

Mr. GOLDING: He did not agree with it at all.

The CHAIRMAN: I wonder if it would be in order with the committee if I were to ask two questions.

Mr. GOLDING: That is the fact, he did not agree with it.

The CHAIRMAN: May I ask two questions? I would like to ask my hon. friend, Mr. Green, whether he believes he has fully answered the question of the hon. member (Mr. Golding)?

Mr. GREEN: Yes.

The CHAIRMAN: That is question No. 1. Now, may I ask my hon. friend, Mr. Golding, whether or not he is fully conversant with Mr. Green's answer, and whether it satisfies him?

Mr. GOLDING: The record speaks for itself, and Mr. Fraser Elliott did not agree with Mr. Green.

Mr. McGEER: I would like to call your attention to the next statement:—

*By Mr. MacNeil:*

Q. And a licence fee?—A. And the licence fee. That, again, is outside the contract; but listening to the evidence the other day I would say that sounds correct. Let me indicate to you, Mr. Green, the result of this [Lieut.-Col. George A. Drew, K.C.]



building up of costs. It actually means that 4.2 per cent goes down even lower because the higher the cost the lower comes the percentage of profit payable. If you like to bring it up to \$10,000,000, then you will find that \$267,000 is 2.67 per cent of the cost.

Mr. GREEN: I am not dwelling on that.

The WITNESS: I just want to indicate where you are going in my mind.

Mr. GREEN: I have no doubt they will have sufficient profit, but I am trying to arrive at what the whole business is going to cost the government.

*By Mr. Homuth:*

Q. In the calculations that Mr. Green has made there is no provision for interest on the money that the government is expending for machinery for this plant, is there?—A. No, I do not think there should be. When you buy a working asset you do not say, "I want to charge as a cost not only the cost of the asset but the money that I have not now got at an interest rate that is also added to machinery costs." I would not do that. You might, but I would not. I would call it bad accounting. If you tried to reduce your profits in that way for income tax purposes the rules would not allow you to do it.

Now, Mr. Chairman, we were dealing with the report—

Mr. BROWN: Just before you leave that, in relation to that cost there is also the continuing administrative costs which amount to some \$10,000 for three months, and which will be continuing throughout the period of the contract.

Mr. GOLDING: I just want to make the statement—I don't care how much costs you pile up, and add, and everything else, everybody has a right to do that—but when the statement is made that Mr. Fraser Elliott agreed with that, within the record there is absolute proof that he did not; that is all I had in mind.

*By Mr. McGeer:*

Q. We were dealing with the report of the Bank of Montreal before the interdepartmental committee at the close, and I understood you to say that one objection you had was that the bank's report should not have included the amount it did as subscriptions for stock; the other thing was— —A. No, it does not describe it as a subscription for stock, it says, amount received.

Q. Net amount received?—A. Yes.

Q. And now, the other objection was that statement as to the experience of Hahn and his associates in the production of precision steel; do you disagree with that?—A. Yes, I do.

Q. You take the position that you know, I suppose, that Hahn did not have experience in precision steel?—A. The evidence was that his experience was in the manufacture of radios and refrigerators.

Q. Well now, let me give you the evidence on that at page 452:

*By Mr. MacNeil:*

Q. May I ask what previous experience you have had, personally, in the manufacture and fabrication of precision steel commodities?—A. Well, I was born and brought up in the manufacture of brass and steel. My father was the founder of the Hahn Brass Company, which is still in existence, and also the Stratford Brass company, of which I happen to be a substantial stockholder. My father founded both of them. Those companies make brass and steel, as a matter of fact, they have their own foundries and do all their own tooling, all their own pattern work and manufacture and fabricate steel; they are not all steel; they manufacture

and fabricate brass, iron and steel. Then when I went into the radio business, that in itself is a considerable tooling job every year; it is, in fact, a very large tooling job and involves the manufacture of steel in so far as the chasses are concerned. But particularly when we went into the manufacture of refrigeration. We made a tie-up there with Borg-Warner who are probably one of the largest precision steel manufacturers on the continent; and the Norge refrigerator is a subsidiary of Borg-Warner. In the manufacture of the rolator refrigerator we have precision steel. The tolerances there are as fine as for machine guns but not for as many parts. You work there to one-ten-thousandth of an inch.

Now, in the light of that statement and Hahn's experience in the company which he was associated with, which he organized here, which he says worked in precision steel using tolerances of one-ten-thousandth of an inch, do you still say that the Bank of Montreal was wrong in their report which was made to the Department of National Defence?—A. Wrong, in what respect?

Q. In the respect that they said their investigation disclosed that Hahn—  
—A. Read the exact words.

Q. "I might further add that the new personnel of the John Inglis Company Limited, is of high standing and well known to us as customers over many years. They have had a broad and successful experience in mass production of precision equipment."—A. I say that statement is wrong.

Q. You say that statement is wrong. So that Hahn's statement that he has had a wide experience in that field is not to be believed in this committee?—A. I asked you to read the words, because—and again I am pointing out the necessity of accuracy in the questions that you ask, a thing I have had to point out before—in this particular case you will see that the Bank of Montreal states that it regards Hahn and his associates, and it says they have had broad experience in the production of precision steel. Now, as I have already pointed out—rather, precision equipment—I have already pointed out to you that Hahn and his associates according to the evidence and according to the finding of the royal commission, were Hahn, the two Plaxtons, lawyers—who are brothers of Mr. Hugh Plaxton—and the three brokers who were to sell the stock. Those were the people, according to the evidence given. Not one of them outside of Major Hahn had had any previous industrial experience.

Mr. GOLDING: That was only the commercial side of it.

*By Mr. McGeer:*

Q. I put this to you: Hahn told this committee that he went to the Department of National Defence and said, I have associated with me in my manufacturing business, I am going to be able to have as associates, men formerly the key personnel of the John Inglis company, and he has told us that Ainsworth and McLachlan were men that had been through his experience as a manufacturer of refrigerators and as a manufacturer of radios. These were the associates that they referred to. The Bank of Montreal, Colonel Drew, does not say all the associates have had experience.—A. It says they have had experience.

Q. That is the way you want to leave it.—A. I want to leave it exactly in the way it was; that these were the only associates at that time, having regard to a proper interpretation of that word.

Q. Your objection to this contract and the conduct of the Department of National Defence was that Hahn knew nothing about precision steel and that he did not have anybody associated with him that did. Do you still wish to stick to that?—A. I certainly do so far as the time this contract was concerned.

Q. Notwithstanding the evidence that Hahn has given as to his experience and the fact that he has also given evidence that Ainsworth and McLachlan were with him when he was manufacturing refrigerators and radios?—A. I would say more particularly because of his evidence.

[Lieut.-Col. George A. Drew, K.C.]

Q. I have referred you to exhibit 56, a record of the interdepartmental committee's activities, and you know that the interdepartmental committee sat throughout until the contract was finally agreed to by that committee, do you not?—A. Yes, I know that the contract was agreed to by the committee, yes.

Q. The interdepartmental committee consisted of Major-General L. R. LaFlèche, Deputy Minister of National Defence, C. Fraser Elliott, K.C., Commissioner of Income Tax, Dr. W. C. Clark, Deputy Minister of Finance, Dr. A. K. Eaton, Department of Finance, C. W. Bolton, Department of Labour, Charles Burns of the Department of National Defence and Herbert Marshall of the Dominion Bureau of Statistics and the Department of Trade and Commerce. Assisting Mr. C. Fraser Elliott was Mr. Ronald Sharp, chief inspector of income tax. You are aware that these men were the men that made up the committee?—A. I am aware that these men made up the committee, and I am aware that the judge found that the system of the interdepartmental committee broke down.

Some Hon. MEMBER: He did not say that.

The WITNESS: You disagree with the judge.

*By Mr. McGeer:*

Q. We very definitely do. Mr. Fraser Elliott gave this evidence before the committee at page 291:

Q. So then, I put it to you again: In the method of negotiating this contract right from the first proposal that was made, the Department of National Defence had the assistance of the interdepartmental committee which was set up by the Canadian government and also the assistance of the director of war contracts of the British ministry?—A. That is right.

You believe that?—A. I am quite sure that Mr. Elliott misunderstood your question because it is perfectly clear that the interdepartmental committee did not even come into existence until long after the first proposal had been made. The first proposal was made a year before they came into existence.

Q. The war office was in existence then. Now, the extent to which the interdepartmental committee participated in the formation of this contract is indicated, I suggest, in exhibit 54, which is the report of the interdepartmental committee included in a letter issued by Mr. C. Fraser Elliott, and this is what they say, reading from page 2 of that report:

The sub-committee note with interest the provision of section 5 *re* standard costs in the proposed contract between the Secretary of State for War of the United Kingdom and John Inglis Co. Limited and suggest the discussion and possible insertion of a similar clause in the proposed Canadian contract, it being considered a desirable factor in a cost-plus contract to have some incentive for reduced costs, particularly when the larger proportion of such reduced costs reduces the public expenditure.

That recommendation was signed by H. Marshall, A. K. Eaton, and R. Sharp. Are you aware that that was a part of the departmental records at the time you wrote your article?—A. I am aware that that was in the hands of the interdepartmental committee.

Q. That was produced from the departmental records of the Department of National Defence?—A. That is right.

Q. To the Davis inquiry?—A. Yes, it is an exhibit.

Q. And was part of the departmental records on record at the time you wrote the article?—A. One would assume it was, yes.

Q. Do you agree that that group of three men were right in thinking that an incentive clause to reduce costs might be helpful to a government on a cost-plus contract?—A. No, I have already explained that that clause did not have that effect.



Q. That is your opinion?—A. Yes, it is my opinion.

Q. You disagree, then, with these three men?—A. You will find, as a matter of fact, that that incentive clause is the one which has been discarded as far as the Canadian contract is concerned.

Q. Do you realize what you are saying?—A. I certainly do.

Q. The incentive clause has been discarded?—A. I suppose when you speak of incentive clause you are speaking of the clause that provided for an additional percentage in the event of a certain reduction of costs, are you not?

Q. No.—A. What are you speaking of, then?

Q. I am talking of the incentive clause as it was put in the first contract and as it is in the contract to-day.—A. Then if you will read me the clause I will understand what you mean.

Question,—

6A. A "Standard Cost" (i.e. manufacturing costs exclusive of profit) based on the provisions set out in sections 4 and 5 of this Agreement shall be mutually agreed upon and fixed within ninety (90) days of the Party of the Second Part attaining full production of Bren guns as provided in section 2, and shall remain in force for a period of time thereafter to be mutually agreed upon. Should the Party of the Second Part manufacture Bren guns at a cost below the standard cost so established at any time during the period of time mutually agreed upon, the Party of the Second Part shall receive (in addition to the ten per cent (10%) profit provided in this contract) 25 per cent of the difference between the actual ascertained cost and the standard cost as determined by the Parties in pursuance of this section. In computing actual cost for this purpose any variations resulting in an increase or decrease, due to causes which in the opinion of the Party of the First Part were beyond the control of the Party of the Second Part, shall be disregarded. The decision of the Party of the First Part on this point shall be final. In the standard cost, the Party of the Second Part shall receive 10 per cent on such actual ascertained cost within the overriding maximum profit mentioned in section 4 (b). It is hereby expressly agreed that for the purposes of this section the date upon which full production aforesaid is attained and from which the period of ninety (90) days aforesaid shall be reckoned, shall be as the Party of the First Part may determine whose decision in this regard shall be final.

Mr. GREEN: That is not the way it appears in our copy.

Mr. FACTOR: That is the way it appears here.

Mr. GREEN: Is that with the amendment that was made in September?

Mr. McGEER: There is no amendment.

Mr. GREEN: A letter.

Mr. McGEER: The letter you are talking about amends, if it amends anything, the section dealing with the maximum profit of \$267,000. It simply makes clear the section dealing with the maximum profit of \$267,000, which is another section altogether.

Mr. MacNEIL: The letter refers to 6A.

Mr. McGEER: Then it deals with that section. It says the total profit shall not exceed \$267,000.

Mr. GREEN: That is not in this copy at all.

Mr. McGEER: No, I do not think it is; it is not in mine either.

[Lieut.-Col. George A. Drew, K.C.]

*By Mr. McGeer:*

Q. What I am suggesting to you is this, that these men, Marshall, Eaton and Sharp saw this incentive clause in the British War Office contract. You are aware of that?—A. I am aware of the report there, yes, and I am aware of the evidence that this was suggested there, and when you questioned me I said, I pointed out to you that it was that clause which was open to the interpretation that there was a larger profit than had been contemplated, and with respect to that a letter was written by Major Hahn dated September 3, 1938, which is exhibit 43, indicating that it was open to that interpretation and limiting the profit, and that is referred to by the judge in the finding of the commission.

Q. Well, the reason for the insertion of that clause in the British War Office contract, I judge from my reading of the evidence, is the hope that it will reduce total costs. You agree with that?—A. I have no doubt that was the hope; the result was it could actually have increased the profits.

Q. Increased the profits?—A. Yes.

Q. It would have reduced the cost to the government, would it not, if it increased the profits?—A. Mr. McGeer, that would take a group of accountants quite a long time to work out for the simple reason one factor has to be remembered here, the higher the cost the higher the profit. That is the case where they get 10 per cent on everything in the contract as it is now, except machinery itself, and consequently the higher the cost the higher the profit to this company.

Q. Let us check for a moment the profits;—

Mr. GOLDING: The overriding profit is \$267,000.

*By Mr. McGeer:*

Q. Let us eliminate the overriding profit for a moment. Let us assume that the standard cost is fixed at 100 and the profit on the standard cost is 5 per cent. Therefore, if the standard cost and profits are taken together, the cost to the government will be \$105, will it not?—A. Yes.

Q. If the standard costs are reduced by 100 per cent, the cost to the government will then be 90; do you agree with that?—A. Yes.

Q. With a profit of 5 per cent, the profit will be 5. On 90 it will be \$4.50. Do you agree with that?—A. Yes.

Q. The saving will be \$10, of which the contractor will get 25 per cent or \$2.50. Is that right?—A. Yes.

Q. So that the standard cost reduced by 10 to 90 plus 5 per cent profit, plus the contractor's share of the saving, will be \$97, will it not?—A. That is correct.

Q. Therefore the saving to the government will be the difference between \$97 and \$105, or \$8?—A. It is on the basis of the arithmetic you mention, yes.

Mr. BERCOVITCH: Is the arithmetic wrong?

Mr. HOMUTH: It would be a government plant.

Mr. BERCOVITCH: We know that; that is stale now.

*By Mr. McGeer:*

Q. When the British government adopted the incentive clause and put it in there, do you think that was their reason for doing it? That they would get results along that line?—A. I explained very clearly why I did not think it had the effect that it apparently had at all. You see, one of the things that the British government did not know, so far as evidence indicates, is that this company was a closed down company, and they were simply going to start up to set up their machinery when this contract was signed. You will find that the standard cost referred to in paragraph 6A is—

Q. Have you got any evidence, Colonel Drew, to back up the statement that the British government did not know it was a closed down factory?—  
A. There is no evidence whatever to indicate—

Q. Have you got any evidence to back up your statement?—A. Certainly.

Q. Because Major Hahn's evidence is to the contrary.—A. Let me have it; I have not got it.

Mr. FACTOR: Major Hahn swore he supplied the war office with blue prints of the factory and gave them full information.

The WITNESS: What Major Hahn swore before the Davis inquiry was that he gave them a photograph and plans which he had obtained from the books of the old company, which was then bankrupt and with which he had nothing to do at that time.

*By Mr. McGeer:*

Q. Let us have an answer to my question.—A. Just a minute. Also that he submitted to them an estimate of the value of the property made in 1929 for the old Inglis Company as a going concern. That is what he swore.

Q. In any event, you do not know as a matter of fact that the incentive clause was objected to, according to the records of the department, that is the insertion of the incentive clause in the Canadian contract; notwithstanding the recommendation of the interdepartmental subcommittee and the opinion of a majority of the interdepartmental committee the insertion of the incentive clause was objected to by the deputy minister of national defence?—A. That is the record, yes.

Q. So that in this instance you say that all the members of the interdepartmental committee, the members of the subcommittee, and the British War Office were wrong in inserting the incentive clause because it only worked one way?—A. In this case I agree exactly with the stand taken by the deputy minister of national defence, that it should not have gone in there.

Q. The deputy minister of national defence said he only agreed to it going in on the understanding that it would not be permitted to increase the overriding limit of \$267,000 profit?—A. That is what he said, and I have no doubt that is what he thought. The fact remains that Colonel Orde himself said that he believed that it was open to the interpretation that it could increase the profit and as a result of that a letter was drafted which Major Hahn was asked to sign and he forwarded on September 3, 1938, in which he agreed to amend the contract to limit that profit, and that also is referred to by the judge in his finding.

Q. Yes, but don't you realize that that is only on the question of profits, that in addition to increasing the contractor's profit, irrespective of whether it was limited to the overriding profit or not, it would decrease the government's total cost?—A. Mr. McGeer, what I pointed out was,—and you will find that if you will read the article at that point, or I will read it to you if you like—that this incentive clause had the possible effect of increasing the profits; and that was all I said.

Q. What you say to the public of Canada is this—and I want to read it out of your article at page 9. You say, "There is"—A. No, no. Start at the beginning of the paragraph, "It is true that there is a provision . . ."

Q. All right. You say:

It is true that there is a provision in the Canadian and English contracts which appears to limit the profit to ten per cent, with an over-all limitation of \$457,000 for the 12,000 guns covered by the two contracts, but there is another provision which overcomes that limitation. Section 6A provides that when the company is in production a "Standard Cost" for each gun shall be agreed upon, based on the costs up to that time. If

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after that time costs are reduced below that standard cost, the company shall receive one quarter of the difference, in addition to its other profits. As the costs during the experimental stages are bound to be higher than when normal production has been reached, it is clear that this is likely to add a very substantial figure to the profits.

There is no apparent reason for the inclusion of this section in the contract.

Do you say that is correct?—A. Yes.

Q. Continuing:—

As the Government has the right of constant supervision and inspection of records under the contract, no special inducement is needed to prevent waste or inefficiency. This section might have some meaning if the company were to be penalized for costs above the "Standard Cost" to the same extent that it would gain for any costs below that figure. Such an arrangement is not unusual. It is most unusual to have a provision such as this, which only works one way. Its only likely effect is to increase profits for the company.

Do you say that is a true statement?—A. I say that is an extremely accurate statement and one which was agreed to by Colonel Dewar at the inquiry.

Q. As a matter of fact, the only way that the contractor can have his profits increased is by reducing the cost of which the government get 75 per cent and the contractor gets 25 per cent?—A. No, Mr. McGeer. I am afraid you have not had the opportunity of reading this as carefully as you might. The point is this—

Q. I am talking about the contract, not the article.—A. I am talking about the contract too, and I shall be very glad to make it clear to you:

6. The Party of the Second Part, after the commencement of manufacture of the Bren gun, shall, at the expiration of each month during the continuation of this contract, prepare statements showing the costs incurred—

No; it is 6 which reads:

6A. A "Standard Cost" (i.e. manufacturing costs exclusive of profits) based on the provisions set out in sections 4 and 5 of this agreement shall be mutually agreed upon and fixed within ninety (90) days of the Party of the Second Part attaining full production of Bren guns as provided in section 2, and shall remain in force for a period of time thereafter to be mutually agreed upon. Should the Party of the Second Part manufacture Bren guns at a cost below the standard cost so established at any time during the period of time mutually agreed upon, the Party of the Second Part shall receive (in addition to the 10 per cent (10%) profit provided in this contract) 25 per cent of the difference between the actual ascertained cost and the standard cost as determined by the parties in pursuance of this section.

And this is the important part:

In computing actual cost for this purpose any variations resulting in an increase or decrease, due to causes which in the opinion of the Party of the First Part were beyond the control of the Party of the Second Part, shall be disregarded. The decision of the Party of the First Part on this point shall be final.

That is correct. Continuing:

In the standard cost, the Party of the Second Part shall receive 10 per cent on such actual ascertained cost within the overriding maximum profit mentioned in section 4 (b). It is hereby expressly agreed that for the

purposes of this section the date upon which full production aforesaid is attained and from which the period of ninety (90) days aforesaid shall be reckoned, shall be as the Party of the First Part may determine whose decision in this regard shall be final.

What that says is this, that in the computation of the standard cost upon which this is to be based, they shall take into account the actual figures of cost returned month by month by this company, during the period in which they are preparing to get into production; and then, when—

Q. Where does it say that in the contract? It does not say that at all.—

A. Yes, it does.

Q. Where?—A. I will read it to you again.

Q. Where does it say that?—A. Just a minute. I cannot both listen to you and look for it in here.

A “standard cost” based on the provisions set out in sections 4 and 5 of this agreement shall be mutually agreed upon and fixed within ninety (90) days of the Party of the Second Part attaining full production of Bren guns as provided in section 2, and shall remain in force for a period of time thereafter to be mutually agreed upon.

Then it goes on to say that—wait and I will find it—that cost must necessarily be based—and that was the evidence—on the cost—there would be no other figure—of the gun up to the time of going into production.

Q. Are you aware, Colonel Drew, that the British government has an Enfield plant, and that the commissioner has pointed out that one of the special safeguards this complementary arrangement of two contracts has established is that costs in Canada can and will be checked with costs in Enfield?—A. That is exactly what I pointed out. I pointed out that they had other methods of checking costs, so that they did not need any provision of this kind. It says, “As the government has the right of constant supervision and inspection of the records under the contract, no special inducement is needed to prevent waste and inefficiency.

Q. All right; that is your opinion?—A. That is my opinion.

Q. And apparently the opinion of the interdepartmental committee and the opinion of the men engaged in this business of controlling profits in the old country and reducing costs to the taxpayer was different; because our interdepartmental committee who had no desire to increase the profits of the company, and the British war office in a contract of the same nature, decided that an incentive clause was advisable, not as you say in your letter to the public of Canada, but as they say in their interdepartmental meeting, to reduce the total cost to the people of Canada. Now, Colonel Drew, you will not disagree with me when I say that Eaton, Sharp and Marshall recommended this clause for that reason?—A. I am quite aware they recommended it.

Q. Well then, are you prepared to sit in this room, in this committee, and say that they recommended it because it was only likely—to use your own language, to increase the profits of the company?—A. I have not said that was the reason they recommended it, I said that was the result.

Q. No, no, what you said was this, and you were most positive about that statement.—A. I said that is the only effect.

Q. “There is no apparent reason for the inclusion of this section in the contract—its only likely effect is to increase profits for the company”?—A. And that is exactly what I say now; and I recall the fact that Col. Dewar, whom you have quoted with some authority, agreed with that, and immediately they took steps to revise the effect of the contract under that section.

Q. Now, the evidence of General LaFleche was—in spite of the fact that you did not think much of it—nevertheless it is before this committee for consideration—and it was to this effect; he swore that he opposed the inclusion

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of the incentive clause, or he gave evidence here and he said that he did not agree to its being included until he was assured that the over-riding profit limit of \$267,000 would not be increased; do you think you should believe his evidence in that regard?—A. In that he was quite correct.

Q. And do you believe that he had that assurance?—A. I believe that he had that assurance, but exactly as was the case in respect to the other provision in the contract it did not accomplish the object for which it was provided, and it had that result notwithstanding the fact that it was passed upon by the Judge Advocate General of Canada.

Q. In any event, before you wrote that article General LaFleche had that understanding, and Hahn did not hesitate a moment in making good LaFleche's understanding.

Mr. HOMUTH: After the article.

The WITNESS: After this appeared, yes.

*By Mr. McGeer: -*

Q. But if we are to accept LaFleche's testimony as correct LaFleche has taken care of the situation and had that understanding with Hahn which has now been confirmed by letter before your article was written and before the contract was over signed?—A. No, he did not. What he had done, he had insisted that they assure him that there could not be any more profit than that; and on that I heartily agree with him. However, the draftsmanship did not produce that result; just as Mr. Elliott thought he was providing against the sale of stock but the draftsmanship did not stop that.

Q. I see. In this article you want the public to believe that there was no apparent justification for the inclusion of this clause. You say, "This section might have some meaning, if the company were to be penalized for costs above the 'standard cost' to the same extent that it would gain for any costs below that figure. Such an arrangement is not unusual. It is most unusual to have a provision such as this, which only works one way. Its only likely effect is to increase profits for the company." And if this section were put in there for that purpose there is no doubt about it that this contract would be cloaked in fraud.—A. I certainly repeat the question you gave me, that this contract was cloaked in fraud so far as Hahn was concerned.

Q. And that was one of the incidents that you cite?—A. No, that was not one of the incidents that I cited. I will cite them if you want them.

Q. Well, you have cited them.—A. I have not cited them here yet.

Q. Well, cite them now.—A. Certainly. Now, the first incident was this; I am referring now, of course, to Major Hahn. Of course, I say that the whole thing started upon the misrepresentation that Mr. Hugh Plaxton wrote on August 24th, 1936, to the Prime Minister and said that a group of friends of his were fully equipped to manufacture munitions where such was not the fact at the time, they were neither fully equipped to manufacture munitions nor did they have a plant in which they could do it and, as you will remember, the officer of the department sent up there to examine the plant at a later date said that that was so; but I refer now particularly to the incident—

Q. I do not agree with that statement in the evidence, I think it was quite to the contrary. You put it to me that I agree with that. I do not agree with it. The evidence as I understand it is that the plant had produced 4,000,000 shells.—A. That was during the war.

Mr. McGEER: And there is the report of Mr. Jolley which is on the record.

Mr. HOMUTH: I rise to a point of order, Mr. Chairman; Mr. McGeer has asked the witness a question and now he says, produce these charges; and the witness is about to do it—

Mr. FACTOR: The witness made an answer he didn't agree with.

Mr. HOMUTH: There are a lot of things you won't agree with.



Mr. FACTOR: That may be.

Mr. HOMUTH: I would ask that the witness be allowed to go ahead and answer the question put by Mr. McGeer, and that he be permitted to proceed without interruption.

Mr. McGEER: The only thing I was doing was correcting him. He put his answer in such a way as to infer that I agreed with it, and I wanted it to be on the record that I do not agree with his statement.

The CHAIRMAN: May I apprise my hon. friend of the fact that yesterday I permitted the same thing time and time again by the hon. member for Vancouver North (Mr. Green) just to correct the record.

Mr. GREEN: When was that?

The CHAIRMAN: Oh, I beg your pardon.

Mr. FACTOR: Not only yesterday, but all throughout this investigation.

Mr. GREEN: I thought Mr. McGeer talked all day yesterday.

The CHAIRMAN: You must admit, Mr. Green, that you did a little bit yourself.

The WITNESS: Just so you will not misunderstand me, I referred to the report of Mr. Jolley, and I said the officers of the department were not then—talking about the time this was under discussion—exhibit 73 is a report from H. S. Alguire who was sent to inspect this property and who made a report dated October 21st, 1936.

Mr. McGEER: And then I come to exhibit No. 388.

The WITNESS: It says that it had at one time been a munitions plant, and no one disagrees with that; over twenty years ago this plant did produce shells.

Mr. GOLDING: And the main part of the machinery is still there.

Mr. GREEN: They said it was an old boiler factory.

The WITNESS: A lot of the machinery is still there.

The CHAIRMAN: Let us get on, please.

The WITNESS: I refer to exhibit 388. Major Hahn had arrived in London and was opening up the first phase of the contact with the war department which ultimately led to the two contracts being signed. When he was there, according to the information that has been given in this inquiry the war office asked for some particulars about this man who came so highly recommended from the Minister of National Defence in his letter of introduction, and that request for information was made to Canada House and on the 6th of November, 1936, Col. George P. Vanier, after getting the information from Major Hahn wrote to Sir Harry Batterbee at the Dominion office, Downing street, London S.W.1, giving information that was requested by the war office, and he wrote to Mr. Batterbee:

I am attaching herewith some more information concerning Major Hahn.

I should like to make it clear that Major Hahn has sold out his interests in Rogers-Majestic, DeForest-Crossley, Magnavox, and Property buildings.

Yours ever,

(sgd.) George P. Vanier.

And then there was a note attached to that letter:

The attached letter was sent to Sir Harry Batterbee by me in response to an inquiry for information concerning Major Hahn. I presume that the war office had asked Sir Harry Batterbee to obtain some information.

And then attached to that was information which Mr. Geoffrion, counsel for Major Hahn at the inquiry, said had been prepared on information submitted [Lieut.-Col. George A. Drew, K.C.]

by Major Hahn in connection with this matter. And the heading on that is "Major J. E. Hahn, D.S.O., M.C."; then on the next line, "education, military experience, business training"; then the first column is "academic" and the second column is "military", the third column is "business", and the fourth column is "approximate business net worth"; and, of course, that is under the heading "Major J. E. Hahn, D.S.O., M.C."; and then it gives

*Business**Approximate Business**Net Worth*

Rogers Majestic	
Radio Refrigerator	
DeForest Crossley	
Radio Refrigerator .....	\$2,000,000
Magnavox—Electrical, radio parts and sound equipment	1,500,000
Property Holdings, Ltd., Real Estate .....	450,000

These, of course, were things he evidently had disposed of according to this letter. But then, this is the one that is extremely significant having regard to the fact that this man had gone to London and himself has sworn that he was there as a prospective contractor, was seeking business; although, of course, the war office had received word that he was there getting business on behalf of the Canadian government, and ultimately the government dealt with this man and had this before them.

Mr. McPHEE: That is not right, he was not getting business on behalf of the Canadian government.

The WITNESS: I am glad you corrected me; he was getting information on behalf of the Canadian government.

The letter, as I say, indicated that he had disposed of the other, so that left his only holdings at that time the following: Recently acquired plant and equipment, the John Inglis company steel engineering, heavy-plate engineering, shell equipment, and under the column "Business approximate net worth"—\$2,000,000. And at that time Hahn and his associates had to put up \$500 on the purchase price of that plant, and Hahn's share of that under the agreement was 55/90.

Now, Mr. McGeer, if that is not fraud, I do not know what fraud means in its legal interpretation. \$2,000,000 approximate worth, and they had put up \$500 on the purchase of the property under an agreement by which they were going to purchase the property at \$250,000 with \$100,000 cash and the acceptance of a \$150,000 mortgage.

The next point I come to is a letter dated May 6, 1937, exhibit 137. This letter was a letter received by Colonel LaFleche in London. It was dated the 6th of May, 1937, and was forwarded to the Hon. Ian Mackenzie who was also in London at the time, to Arlington House, on May 7, 1937, the following day.

The memorandum to the minister was as follows:

The Honourable the minister,

Please find herewith the original letter, dated yesterday, from

J. E. Hahn—"

and might I point out, Mr. McGeer, in relation to this, that others in writing of a man with a distinguished military record occasionally do leave out the decorations.

from J. E. Hahn, which I showed to you this morning. This refers to the question of the manufacture in Canada of the Bren light machine guns, please.

(Sgd.) L. R. LAFLECHE,

*Deputy Minister.*

Now, this is the letter of J. E. Hahn dated May 6:—

Dear Colonel LAFLÈCHE:

With reference to our conversation to-day I have pleasure in confirming your understanding that I represent the John Inglis company of Toronto having a controlling interest. This company was incorporated in 1860.

My company has been engaged since incorporation in the manufacture and production of steel and engineering equipment. We have acquired further important Canadian rights for new patented sectional steel poles for which there is an important market; it is in this connection that I am presently in England.

It has always been my intention should we be called upon to manufacture the Bren light machine gun in Canada to produce them as a special line in addition to the normal productions of the John Inglis company.

It may interest you to know that the present plant and equipment of the John Inglis company represents an investment of \$1,800,000.

Now, before commenting further on that I will read another letter which is tied with it, and that letter apparently was not sufficiently complete for the war office because, as you will find from the evidence, there was constant contact at that time between General LaFlèche and the war office. So a second letter was written by Major Hahn to General LaFlèche on May 27, which is exhibit 143.

Mr. GREEN: Exhibit 138, is it not?

The WITNESS: Yes, I have it. It is exhibit 138. This is a letter which was also forwarded to the Honourable Ian Mackenzie who was still in London at the same time as General LaFlèche, and Major Hahn was there at the same time. The memorandum to Mr. Mackenzie is as follows:—

Arlington House,  
London,  
May 22, 1937.

The Honourable the Minister:

Following our discussion earlier in the week, I put a few questions to Major J. E. Hahn and attached hereto is letter of this date concerning the John Inglis company of Toronto.

May I request instructions, please.

(Signed) L.R.L.

*Deputy Minister.*

Then that encloses a letter from Major Hahn of the same date to Lieut.-Colonel LaFlèche, D.S.O., Deputy Minister of National Defence, Arlington House, W.1:—

Dear Colonel LAFLÈCHE:

The John Inglis company was founded in 1860 by the late John Inglis and was carried on by members of the family until sometime after the death of the son, the late John Inglis, in February, 1936.

In May, 1936, negotiations were opened by my associates and myself for the acquisition of the assets of this company. In July, 1936, the arrangement was consummated whereby my associates and myself acquired the plant, machinery, name and goodwill of the John Inglis company. An analysis of the company's operations showed during the period 1913-1936:

1. Sales .....	\$26,921,349.30
2. Net trading profit .....	2,751,852.47

[Lieut.-Col. George A. Drew, K.C.]



Then it goes on:

Our plan of operation consisted of—

and I ask you to mark this, Mr. McGeer:

Our plan of operation consisted of—(1) making a complete analysis of the company's sales and profits and dropping non-profitable lines whilst continuing production of all profitable existing lines. A new line has been added, namely,—

Mr. BROOKS: Mr. Chairman, it is almost impossible to hear. There are some members who keep up a continuous conversation. I refer particularly to the silent member from Ottawa West, who has been talking since he came in.

The WITNESS:

A new line has been added, namely the manufacture of patented steel poles—(2) completion of budgets covering the production under the following headings:—

1. Boilers high and low pressure tanks.
2. Engines.
3. Bridge and structural steel work.
4. Machinery.
5. Special steel production.

While the preceding was under completion, it was found necessary to give the plant a complete overhauling. In October, 1936, during this period of plant-overhaul, contact was established with the Department of National Defence and an investigation undertaken with regard to the manufacture of the Bren gun. It was by common consent found very promising. In December, 1936, an initial concrete proposal for the manufacture of the Bren gun in my plant was submitted to the Department of National Defence, since when the matter has remained under further study and negotiation. It is clear that my company can manufacture the Bren gun economically and perhaps more rapidly than any other except the Lee Enfield plant in England, which, it is known, is now over-taxed and will not be able to produce all the Bren guns required by the government of the United Kingdom. This particular statement is subject to confirmation by yourself and is offered in confidence.

We have been ready to proceed with the manufacture of the Bren gun since our proposal was submitted in December, 1936. I would very much appreciate being advised of the department's decision.

Yours very faithfully,

(Sgd.) J. E. HAHN.

*By Mr. McGeer:*

Q. The date of the letter?—A. May 22, 1937. And that just, you will remember, almost coincident with the submission to the war office of the agreements which you referred to this morning in an exhibit which you read. Now, the statements in that letter created an impression of an old-established company founded in 1860, continuing right on through. It does not speak about the bankruptcy of the John Inglis Company, it does not speak about the fact that this is a completely new company with no connection with the old company. It talks about "what we have done"; it talks about the fact that the plant was closed for overhaul, and then gives a figure as an analysis of the company's operations that he is discussing here, his company, showing sales of \$26,921,000, and a net trading profit of \$2,751,000 over the period, and then he goes on right in the next words: "our plan of operation consisted of . . ." And then it states what they have been doing and then says: "a new line has been added,

namely the manufacture of patented steel poles." Then it comes down to this: "while the preceding was under completion, it was found necessary to give the plant a complete overhauling." A plant that had been closed down in bankruptcy; a company which had absolutely no corporate relationship of any kind at all with this; and as you know the company which was dealing with this was incorporated in 1936, not 1860, and all it had acquired in addition to buying the assets, just as you and I might if we had been fortunate enough to have the money, the connection that it had with the old company as a corporate structure was that in the summer of 1937 they succeeded in getting the right in the bankruptcy proceedings of the old company to the use of this new company, incorporated incidentally with the name of the British Canadian Engineering Ltd. of Canada, the right to use the name John Inglis Co. Now, Mr. McGeer, I do not need to recall to you the case of Rex versus Kysant, in which it was clearly indicated what fraud means, and describing the structure of a company, and it was clearly—

Mr. FACTOR: Prospectus.

The WITNESS: Fraud was described in that case. There was a prospectus issued which set forth substantially the same things as were set forth here and in that case it was perfectly clearly shown that it was fraud to indicate the appearance of a continuing profitable company to somebody when, as a matter of fact, the company had technically been in bankruptcy. That was the Kysant case and as a result of that Lord Kysant went to prison, and the definition of fraud in that is directly applicable to these two letters which I have read you.

Q. Is that all your ground for?—A. No.

Q. We want them all.

Mr. GOLDING: What has all this to do with the commission?

*By Mr. McGeer:*

Q. Just a minute.—A. Now, on October 20—

Q. Exhibit number?—A. Exhibit 74. On October 20, 1936, the deputy minister of national defence sent a letter following representations to him by Major Hahn, which letter was seen by the Minister of National Defence on October 22, 1936; and while I have been extremely critical of the deputy minister for sending the letter which contained information which he had not adequately verified, and consequently making it difficult to rely on the accuracy of his statements, it is quite clear, I think, that he relied for the statement he made here on the information given to him by Major Hahn, and in fact that is the evidence. Now, that exhibit reads as follows—it was forwarded by the deputy minister to the Under Secretary of State for External Affairs for transmission to Canada House, and ultimately was set before the war office, or the contents thereof. This is the letter:—

I have the honour to refer to previous correspondence pertaining to the Bren light machine gun, following on which the Department of National Defence has been investigating the question of manufacture of this gun in Canada. Major J. E. Hahn, D.S.O., M.C., a former officer of the Canadian Expeditionary Force, and representing a reliable group which controls certain manufacturing plants capable of manufacturing armaments and munitions located in a large industrial centre where the labour and material factor is stable and favourable, has been in communication with the department.

Then it goes on to explain the facilities which have been afforded for study and that Major Hahn is proceeding to England. Paragraph 4 of this letter reads:—

With particular reference to the Bren light machine gun the department is desirous of considering as fully as possible the question of

[Lieut.-Col. George A. Drew, K.C.]

commencing its manufacture in Canada at the earliest date, and it would be pleased if the High Commissioner could institute tentative negotiations with the Secretary of State for War in regard thereto pursuant to the terms of the agreement of the 24th May, 1935, between the Secretary of State for War and the patentee.

In this connection the department . . .

This is October 20, 1936. I am reading it because it has an application to another subject.

In this connection the department must consider the possibility of the gun being manufactured in a plant or plants other than government owned, such as for example those controlled by Major Hahn and his associates, and there arises the question as to the restrictive provisions of clause (11) of the agreement mentioned, especially paragraph (1) thereof.

That paragraph was the one which limited the right to sublet the licence for the manufacture of the Bren machine gun of the Czecho Slovakian company to a government owned plant. Then the letter goes on:—

As stated, such plant or plants would not be government owned, but the extent to which they would have to be operated by the government is not particularly clear in the agreement.

He is referring there again to the agreement with the Czecho Slovakia company.

An arrangement by which the government would take over such a plant and operate the same with its own employees as if it were a government owned plant does not particularly commend itself to the department. On the other hand, it might, through close supervision of such a plant, exercise such control over manufacture, and in particular output, as would have the same effect as if said plant was in fact being operated by the government.

In lieu of proceeding under the provisions of clause (11), of the agreement, as indicated above . . .

That is the Czecho Slovakian government.

. . . an alternative might be to proceed under clause (12) of the agreement whereby the government of Canada would arrange direct with the patentee for a licence to manufacture the gun in Canada, either in a government owned plant or in a plant of the character mentioned above, under such terms and conditions with respect to supervision and control as might be mutually agreed upon.

I have read the last part now because it refers to other subjects that we had under discussion. The deputy minister relies on information given to him by Major Hahn. The information given to him then by Major Hahn was that he and his associates controlled a group of plants capable of manufacturing armaments, munitions, located in a large industrial centre where the labour and material factor is stable, and so on, and also that the whole structure is one which they were likely to consider, as you will see in paragraph 5. In fact, I say this, that from the beginning to the end of the negotiations which took place Major Hahn supplied information which was passed on to the war office which indicated that this was an old established plant. You will mark the fact that there was complete non-disclosure that this plant was bankrupt to the British government, absolute non-disclosure of who the reliable associates were, and I say that was fraud.



Q. Anything else? We would like to have them all, Colonel Drew, if you do not mind. You are making charges against a man who has to-day the confidence of the government of Canada and apparently the confidence of the British war office.—A. Upon the representations made by Canada, yes.

Q. All right. Are there any more reasons for your charge of fraud?—A. That is sufficient.

Q. Are there any more reasons, I said?—A. I could go through the details here and indicate to you the course by which this was always represented to the war office as a man occupying a responsible industrial position—

Q. But I take it these are the main points?—A. Yes, these are the main points.

Q. No doubt the reasons you have outlined to us here this afternoon were the reasons that justified you for describing the contract in these words to Commissioner H. H. Davis: "It was conceived in sin, born in iniquity and cloaked in fraud." The reasons you have given us to-day were the reasons that justified that language, were they?—A. Well, I can amplify that in this way, that this company which was represented to the war office as this reliable company, or rather Major Hahn's group of associates, as reliable associates, controlling plants capable of making munitions, was a company which had not even been incorporated.

Q. We have got that.—A. All right.

Q. You have said that.—A. That company had not even been incorporated when that letter was signed.

Q. You said that to us in your main reasons.—A. No, no; I have not mentioned that particular.

Q. Well, if you have not, all right.—A. But the point is this, that Major Hahn and his associates controlled this company only in the fact that they had at that time negotiations; they did not even at that time begin to own one plant, let alone plants, and the directors of that company at that time—

Q. Well, go on.—A. I was just waiting because Mr. Bercovitch has a very clear and penetrating voice, and I cannot compete with him.

Mr. BERCOVITCH: I am sorry.

The WITNESS: That is all right. I could hear your voice too clearly. The directors of that company at that time—the only company that has ever been under consideration here, the plant capable of manufacturing munitions under control of Major Hahn and his reliable group of associates, the directors of the company at that time described in such glowing terms by Major Hahn to General LaFlèche and in turn referred to the minister for a subsequent reference to the war office—the directors of that armament company at that time were Major Hahn, three girls and one boy who were employees of the Plaxton office. Major Hahn and four employees of the Plaxton office were directors of that company.

*By Mr. Golding:*

Q. You are sure that is true?—A. Absolutely.

*By Mr. McGeer:*

Q. Having included these reasons——A. Since I have been questioned, I had perhaps better give who the directors actually were.

Q. We have that on record.—A. I know; but it is just been questioned here.

Mr. FACTOR: It was mentioned this morning.

The WITNESS: Yes. Wait till I get the directors. The directors of that company at that time were Major J. E. Hahn, F. M. Campbell, a lady secretary in Plaxton's office; L. McCartney in the Plaxton office; K. Robinson in the [Lieut.-Col. George A. Drew, K.C.]

Plaxton office; J. S. Wright, a young lawyer just through law school in the Plaxton office; and subsequently added to that and now constituting the complete directorate are A. L. Ainsworth and W. R. McLachlan.

*By Mr. McGeer:*

Q. Having added that, have you given us the main reasons for your description of the contract to the Hon. H. H. Davis which was as follows: "It was conceived in sin, born in iniquity and cloaked in fraud"?—A. Yes; those are the outstanding points in that.

Q. Those are the main reasons, as I understand it, for that charge?—A. Might I say just at this point, that when you were reading to Mr. Hunter the other day certain words from my argument, you read a reference of mine to General LaFlèche, then jumped and came to this point about the contract. General LaFlèche had nothing in the world to do with signing that contract. The fact that that contract was, as I put it, "conceived in sin, born in iniquity and cloaked in fraud" had to do with those who were the contracting parties.

Q. Who were they?—A. The man who was signing on behalf of his company and himself was Major Hahn, and the man who signed on behalf of the government or was negotiating necessarily on behalf of the government was Hon. Ian Mackenzie.

Mr. FACTOR: No, Major LaFlèche.

*By Mr. McGeer:*

Q. Are you not aware that the report was made to the Hon. Ian Mackenzie, which is exhibit 244, which was a report of the Deputy Minister of National Defence and chairman of the interdepartmental committee to the minister, recommending the acceptance and execution of this contract which was in turn taken to the governor-in-council and presented to the governor as the reason for executing the contract?—A. I am quite aware of that; and I am quite aware of the fact that the Hon. Ian Mackenzie had at his disposal a great number of advisers and experts—from the legal point, Colonel Orde, and on this point, General LaFlèche. What I am pointing out is that it is a new thing if a deputy minister or any other civil servant in a department is the man who must be responsible for the execution of a contract, good or bad.

*By Mr. Factor:*

Q. Pardon me, but General LaFlèche signed the contract on behalf of the minister.—A. Exactly as you have put it, on behalf of the minister. The minister is the only one who can sign on behalf of the government—either himself or through his representative.

Q. But General LaFlèche signed the contract.—A. General LaFlèche is a civil servant.

Q. But he signed the contract, Colonel Drew.—A. Yes; and you know under the provisions also that there are certain failings.

Q. You can answer a simple question such as I have put, that he signed the contract.—A. And I have answered that, yes.

*By Mr. McGeer:*

Q. And notwithstanding that, you still say he had nothing to do with the signing of the contract?—A. I said no such thing. You do not quote my words correctly. I said he was not responsible for the signing of the contract, no matter what he recommended, no matter what anybody else recommended for or against. The signing of a contract by any department is the responsibility of the minister of that department.

Q. And the minister is not justified in relying on the technical advice of the responsible officials of his department? He must go behind them, I take it

from you, and make all his investigations a matter of personal investigation by himself upon the merits or otherwise of the contracts which he is executing, independent of the advice of the officials of his department?—A. A minister is under obligation to make proper inquiries.

Q. Yes?—A. In this case, since you have raised that point, the Hon. Ian Mackenzie did not make proper inquiry because he swore in evidence that in this first armament contract since the war for the manufacture of armaments in Canada, he did not know up until the time of the inquiry who the reliable associates were to whom he had given this contract.

Q. Well now, in the first instance, you told us that the Department of National Defence sent a man to this plant and had a report on it?—A. Yes.

Q. So whatever the condition of the plant was, whatever the nature of the plant was as to buildings, equipment and plant the Department of National Defence had their own representative on the ground, he went through for the express purpose of reporting what the plant was and whether or not it was suitable for the production of munitions?—A. Yes.

Q. So that no one in the Department of National Defence could have been deceived by any misrepresentation of Hahn after they had made their own investigation.—A. That report did not come back until after—that is, Alguire's report did not come back to the department until after this letter of October 20th had been dispatched to Canada House and from then began the train of circumstances.

Q. What is the date of Alguire's report?—A. It is October 21st.

Q. 1936?—A. 1936; and this (indicating the letter) is dated October 20th, 1936.

Q. But this contract that you say was induced by it was not signed until the 31st day of March, 1938?—A. That is right.

Q. So that all the negotiations between Hahn and the Department of National Defence for a contract to manufacture Bren machine guns were carried on after the Department of National Defence had the report upon the plant and the John Inglis company that Hahn represented he owned?—A. That is so.

Q. Now, you are aware also that when Major Hahn went to England in 1936 he took with him a full description of the property, photographs of all the buildings, blue-prints of all the buildings, and details of all the machinery in the plant, which he turned over to Sir Harold Brown, the then Director of Contracts for the British War Office, and which in turn were turned over by Sir Harold Brown to the head of the Enfield plant, Mr. Robinson?—A. That is right.

Q. That is right; so that from November, 1936, the British War Office had in their possession full and detailed and complete information on all the buildings, plants, machinery and equipment that the John Inglis company had and which Hahn represented he was taking over or had taken over?—A. They had a very inaccurate description of the property.

Q. Have you seen the pictures and blue-prints and details of the machinery that were given to the British War Office?—A. I have. They were produced at the inquiry.

Q. And you say that they were inaccurate?—A. They were photographs of the plant without any indication that the plant was closed down, and the valuation of the plant given at that time was the value given to it in 1929 when it was a going concern, and that was the time when, as we all know, industrial values were infinitely higher than they are today.

Q. The Department of National Defence had full information as to the value of the plant and equipment from their own personal observations?—A. There is no evidence of that whatever.

[Lieut.-Col. George A. Drew, K.C.]



Q. Well, this report indicates that a man went there and went over the plant?—A. There is no indication in that report of value or anything of the kind.

Q. Let us assume—A. Let us not assume, let us read that report—it is exhibit 73.

Mr. MacNEIL: While we are waiting, could we get the number of the exhibit to which the witness referred relating to this report to the British War Office?

The WITNESS: You mean the one of October 20th?

Mr. GREEN: The letter from Col. Vanier.

Mr. MacNEIL: Yes, the letter from Col. Vanier.

The WITNESS: I will get that for you in just a moment. It is exhibit 388.

Mr. GREEN: There is no such thing in our exhibits. The last exhibit we have on our file is No. 387. I wonder if we could get a copy of exhibit 388.

The WITNESS: I am surprised at that, because there was an exhibit at the inquiry.

Mr. GREEN: Our exhibits only go to No. 387.

The WITNESS: I will be very glad to let you have a copy of it.

Mr. GREEN: I would just like to find out, there may be other exhibits that we haven't got also.

The CHAIRMAN: Order, gentlemen, members of the committee will remember that at the outset of this inquiry there were certain exhibits before the Davis commission that were discussed and that were kept available under lock and key in room No. 504, available to the members of the committee. It is one of these exhibits that is now being referred to. I believe all members of the committee will remember that fact.

Mr. GREEN: How many exhibits are there, what is the total number of them?

Mr. McGEER: Could we go ahead with this?

Mr. MacNEIL: The clerk might be instructed to give us exhibit No. 388.

Mr. GREEN: Are there any others above 387?

Mr. McGEER: What is in exhibit 388?

The CHAIRMAN: Order, gentlemen.

The WITNESS: Exhibit 388 was the one I read giving information in order from Colonel Vanier to Sir Harry Batterbee together with enclosures.

Mr. McGEER: But this is 388-A, it is not 388.

The WITNESS: I think as a matter of fact, for purposes of convenience, it was identified as 388 (A), (B), (C) and (D), but it was all one exhibit.

Mr. McGEER: I have 388-A and there is nothing there about that.

The CHAIRMAN: There are about ten of these exhibits which include a copy of the British contract all available in room 504.

Mr. McGEER: Of course, the document I had reference to was the report of Alguire.

The WITNESS: I have just got that. There was a question asked as to which exhibit this was, and that is the reason I stopped.

Mr. MacNEIL: I interjected while they were getting the other exhibits.

*By Mr. McGeer:*

Q. You wanted to read something out of Alguire's report?—A. This is the report of Alguire dated October 21, 1936:—

1. In accordance with your request contained in the above noted letter, the writer made arrangements with Mr. J. E. Hahn and was con-

ducted over the plant of Messrs. John Inglis Co. Limited on Strachan Avenue, Toronto. This plant is primarily equipped for the manufacture of boilers, turbines and the working of heavy plate generally. All equipment is in reasonably good condition, considering the length of time it has been in use.

2. The machinery at present in this factory with few exceptions, is unsuited for the manufacture of aircraft, but it might be used for the manufacture of tanks or shells. There is one building No. 101, which could be converted into a suitable factory for manufacturing steel fuselages, etc., by removing some of the existing machinery and replacing it with aircraft jigs and machines suitable for the manufacture of aircraft.

3. The writer has been able to obtain blueprints giving a general description of the factories, including the number of buildings, floor-space, description and number of machines. These blueprints also show the lay-out of the factories and their relation to one another and the construction of buildings.

4. This factory is at present inoperative and has not been in operation since April, 1936. There is no design staff at present employed and the total number of workmen now employed consists of three men as factory maintenance staff.

Then it goes on with certain details.

Q. The point I had in mind was that that report was made by responsible officials of the Department of National Defence. It described the plant as being unsuited and not equipped for the manufacture of Bren guns or small arms. That is clear, is it not?—A. Well, it does not mention Bren guns at all in the actual body of it.

Q. Yes, but the inference is—A. Oh, yes.

Q.—that it is not equipped to manufacture anything but shells and tanks, and might be used with one building for fuselages?—A. That is right, yes.

Q. And there is clear information there that it is not equipped to produce small arms?—A. Well, it is quite obvious that it is not equipped to produce small arms there, yes.

Q. It is quite obvious from that report that Hahn took the man there?—A. No, it is not obvious at all.

Q. Well, he made arrangements with Hahn.—A. He made arrangements with Hahn.

Q. To go over the plant and buildings.—A. He was sent there under instructions from the Department of National Defence.

Q. The report says he made arrangements with Hahn.—A. He went there with Hahn, yes.

Q. He was taken there by Hahn. Just read it.—A. I may have misunderstood you when you said "taken." I thought you meant Hahn had initiated his going there. He was instructed to go there and was instructed to communicate with Major Hahn and make arrangements, which he did.

Q. Then he did communicate with Major Hahn?—A. That is right.

Q. And Major Hahn made the arrangements and they went over the plant together, apparently.—A. That is right.

Q. And the report then came back showing that the plant was not equipped to manufacture Bren guns or small arms?—A. Yes.

Q. The report also came back that the plant was closed down?—A. That is right.

Q. And inoperative?—A. That is right.

*By Mr. Factor:*

Q. What date was that?—A. October 21, 1936.

[Lieut.-Col. George A. Drew, K.C.]

*By Mr. McGeer:*

Q. The Department of National Defence being in possession of the fact and having the knowledge that the plant was closed down; that it was not equipped to manufacture small arms, apparently never disclosed that information to the British War Office?—A. I am quite sure they did not.

Q. Therefore the responsible official of the Department of National Defence, the deputy minister to whom that information went—A. The responsible official of the Department of National Defence is the minister.

Q. All right, the responsible official of the Department of National Defence to whom this information was conveyed was the deputy minister.—A. No, that report—I am sorry, have you put that away?

Q. Well, we have evidence from Colonel LaFlèche that it came to him.—A. The report was made to the Secretary of the Department of National Defence. I am not very clear who that is. Then, according to the evidence, ultimately went to the deputy minister.

Q. Oh, right away. I mean to say, there was no "ultimate" about it, it was done right away.—A. Through the ordinary channels.

Q. You have not any doubt that the deputy minister knew of that report before any representations were made to London by him, such as followed in May and June, 1937.—A. No, I have no doubt whatever.

Q. He had that information?—A. But he hadn't it when the letter was written.

Q. The first letter?—A. No.

Q. But long before the contract was entered into by the British War Office he had that information?—A. Yes.

Q. And during a substantial period of the time the negotiations for the contract with the Department of National Defence and the contract with the British War Office were under way?—A. That is right.

Q. Now, if it was a fraud for Hahn to have failed to disclose that fact to the British War Office it was equally a fraud on the part of the deputy minister of National Defence because he was hoping that the British War Office would enter into a contract with the Inglis company out of which the Department of National Defence would secure benefit, so he was under duty to disclose all the pertinent facts.—A. I am not aware of any evidence which indicates that the deputy minister had any knowledge whatever of the state of this company other than the fact that it was closed down. And you will remember—here is a thing to bear in mind—that in the letter which Hahn handed to General LaFlèche in London on May 22, 1937, he gave the impression of this being a continuing organization and said that it had been closed down for certain reasons during that period; that was intended to convey the impression that during the period it had been closed down it was for some specific purpose. And do not make any mistake about it, I am not in any way absolving those responsible who gave the impression to the war office that this was a responsible group of manufacturers controlling plants capable of making munitions. There is a very great difference between fraud and incompetence.

Q. We are dealing with fraud.—A. But don't tie the two things together. I do say there was gross incompetence on the part of the Minister of National Defence. I say that there was fraud on the part of Hahn. I say that there is nothing in there to indicate that the deputy minister knew of the facts which in any way could suggest that he was in any way guilty of fraud.

Q. Is that the set-up?

Mr. HOMUTH: Not all of them.

*By Mr. McGeer:*

Q. Those that went. Some twenty-six of them went, and the evidence is that a very small portion of the John Inglis company plant and equipment was



available or was used in either establishing the preliminary operations for production or will be used in the production of the Bren gun. You agree with that, don't you?—A. I certainly do.

Q. So that the members of the British War Office who were negotiating the cost plus contract had to have all the details before them before they could estimate the cost of the machinery to be installed along with what the plant itself had available. Do you agree with that?—A. Well, if as in this case as you have yourself stated, practically none of the machinery was of any use in turning out Bren guns, then the only thing that they could possibly be interested in was the efficiency of the organization with which they were to deal.

Q. Absolutely; I agree with you on that, and when Clyde Caldwell, Major General Clyde Caldwell, the Master General of the Ordnance reports that he has—to use his own words in exhibit 57—“these estimates were worked out in collaboration with the Enfield plant officials in England.” And they have dealt with machinery, equipment, tools, etc., to be purchased, the production costs they had to have before them—not only the machinery that the Inglis company plant had but knowledge of the additional machinery that would be required to make the production of Bren guns possible. Do you agree with that?—A. Mr. McGeer, at this point I will give you the answer to that question the way I answered a number of similar questions that you have asked. I do not believe for one moment that the British War Office from the evidence that has been brought out here, nor at any time made any serious inquiry into this plant at all. They had the assurance of the Canadian government that this was the man whom they trusted, and this was the man with whom they wanted to deal, and the British government was so anxious and is so anxious to get armaments made there that they were prepared to accept the obvious choice of the Canadian government.

Q. We are not dealing with that phase; we are now dealing with whether or not the British officials could have possibly collaborated on a statement of estimated costs which includes the cost of machinery as well as the cost of production without knowing what equipment was available to the Inglis plant, because this is the machinery that they are going to pay for?—A. Certainly they could, Mr. McGeer, because to take your own assurance, and in that we agree, none of the machinery in an ordinary plant would be of any value in the production of Bren guns, and consequently it would not make the slightest difference if the rest of the plant was equipped for the manufacture of steel cars or women's underwear, as long as the outfit were skilled enough to make Bren guns. Then, all the money that would be required would be new money for that new machinery. That is exactly what happened in this case and your estimate would be for the new machinery needed. The only thing that was of importance at arriving at that conclusion was what other machinery was there that might be useful for the Bren gun, and that was machinery that had nothing whatever to do with the Inglis company; that was Ross rifle machinery which the government had in its possession at that time at Valcartier.

Q. Now, you are aware that Major Hahn has stated in this committee that he went to England to find out how to produce the Bren gun. He got all the machinery requirements, all the methods of production, all the engineering program in Enfield. You are aware of that?—A. I am aware of that.

Q. Well, now, how could he in getting that information from Enfield, misrepresent what he had himself in the Inglis plant?—A. Mr. McGeer, what he had in the Inglis plant at that time had absolutely nothing whatever to do with the information he was obtaining. The war office understood, according to the cables that were exchanged—

Q. Yes, pardon me.—A. The war office understood, according to the cables which were exchanged that Major Hahn was in England for the purpose of obtaining information upon which to make a report to the Canadian government, upon which they in turn would decide upon which of several different methods

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of manufacturing they would proceed with. And there is nothing in the report to suggest for one moment that any part of the report was applicable to any particular condition in any particular plant. The whole plan was to bring something back to Canada upon which the Canadians could decide how they were going to manufacture Bren guns.

Q. I quite agree.—A. And he was there, in the capacity, so far as the war office knew, although he says that he was there as a prospective contractor, he was there as a representative of the Canadian government obtaining information only ordinarily available to the government itself, according to the cables which were exchanged.

Q. And that leads you to the conclusion that he did not need to disclose what was in his plant to the war office?—A. I cannot see what earthly bearing it would have on it, because of this fact, they have built a new plant—the building is entirely new in which the Bren gun is to be manufactured, and the machinery is machinery which has been introduced entirely since that contract was signed; so that what he had in the rest of the plant would have no bearing whatever on the decision.

Q. Because it was not to be used for the production of the Bren gun?—A. Because it was not to be used for the production of the Bren gun.

Q. It was never so represented.—A. There is no question of representation as to the machinery being suitable for the Bren gun. There is representation as to a reliable organization—industrial organization is what the representation is.

Q. Now, the next point that you have quite overlooked is the fact that on June 3rd LaFlèche handed to Sir Harold Brown—A. What year?

Q. 1937. LaFlèche handed to Sir Harold Brown a draft contract proposing the manufacture of guns for Canada and Great Britain in the John Inglis plant.—A. I have not overlooked that at all. I am very well aware of it.

Q. Have you overlooked the letter of Sir Harold Brown in which he deals with all the estimates and says that they have been withdrawn by Hahn for revision and that they were returned to him, which included the basis of setting up the production of the Bren gun in Canada in detail so that the British War Office could check the cost to the British War Office. You are aware of that?—A. I am perfectly aware of that; and I am perfectly aware that that cost would have been exactly the same if it had been in Vancouver, Victoria or Halifax that the buildings had been.

Q. I am not dealing with that phase of it.—A. We are dealing with that.

Q. We are dealing with the question of fraud on the British War Office.—A. We are dealing with that.

Q. No, we are dealing—if I may be permitted to conduct the examination—with the question of fraud on the British War Office; and what I am putting to you clearly is that the evidence before us shows that the British War Office officials must have known, before they could make an estimate of the cost, exactly what equipment the John Inglis Company had and the amount of equipment that the government would have to buy, because that was the basis of the contract. I put it to you, that being the position, how could they be deceived by the description of a plant, by the development or the statements of values of a plant that had nothing whatever to do with the production of Bren guns or the particular contract that was being negotiated?—A. I could say it would have a very material difference, because you know perfectly well that if any person is giving an order for the production of something and making a large contract for something of that kind, that one of the most vital considerations, if you are concerned with delivery, is the manufacturing efficiency of the company in question. Day after day contracts are being made for the production of some entirely new thing which is not at the moment being made in that particular company. The people who make the contract rely on the known producing industrial

efficiency of that plant. Just to give you an example, as I referred to once before because it happened to be a recent one, there was a large contract given to the Algoma Steel Company at Sault Ste. Marie by the government of South Africa for an entirely new type of plate for railway ties that had never been made before by this company, because they had learned to rely on the efficiency of that producing concern. In this particular case, the picture in the war office would have been very different if this company had been described as a company newly organized by Major Hahn and in whom the only associates at that time were two lawyer promoters and three directors whose interest was the sale of stock, according to their own evidence at the inquiry, and that that the plant had closed down because it was bankrupt and no wheels were moving. The war office would have had a very different picture indeed.

Q. Did or did not the Canadian government have a duty to disclose the contents of Alguire's report to the British government, that according to the report had been sponsoring Hahn?—A. I certainly think they had.

Q. And if they failed to do that, then they would be as much guilty as Hahn would be if the British government were deceived as to Hahn's competency?—A. What I am telling you is this, and you will find it is quite clear—

Q. Just give me an answer.

Mr. HOMUTH: He is answering; let him answer.

Mr. BERCOVITCH: We do not want a speech.

Mr. FACTOR: He is making speeches, not giving answers.

The CHAIRMAN: Order, please.

The WITNESS: My difficulty is this, that when you make a long speech for an obvious purpose, including other branches of the thing, I cannot answer it in one word. I am doing the best I can. I think you and I will get along very well if others do not interrupt us, Mr. McGeer.

*By Mr. McGeer:*

Q. If you object to my question, you have a perfect right to ask me to put it again; but I want an answer to the question.—A. Then put it again.

Mr. McGEER: I will ask the reporter to read it.

The reporter read question as follows: "Then they would be as much guilty as Hahn would be if the British government were deceived as to Hahn's competency?"

The WITNESS: You see, that question gets away exactly from what I pointed out before. I pointed out before that the fraud in this was the fraud in regard to the status of that company; and that while it is perfectly clear that the government knew that the plant was closed down, there is no evidence whatever that the government knew that the plant was bankrupt, which is an entirely different thing.

An Hon. MEMBER: Who is the witness?

*By Mr. McGeer:*

Q. What I had in mind was your interpretation of the Kelson case, which is not mine on that.—A. I might read it in; it is fairly clear.

Q. I do not think we need to bother with that.—A. I will be very glad to.

Mr. GOLDING: Sure; read, but do not answer.

*By Mr. McGeer:*

Q. But the failure to disclose a pertinent fact to somebody who acts and is deceived by that failure, if they suffer loss by that failure, is a culpable misrepresentation—that is, if done with mens rea, as what took place here

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if what you say is true. That is, the Canadian Department of National Defence should have sent Alguire's report to the British war office?—A. I certainly think they should have.

Q. And if they failed to do that, having knowledge that the plant was not in operation, but on the contrary sent letters, as you say, indicating that it was in operation?—A. No, no.

Q. —which were handed by Hahn to the deputy minister.—A. Just the contrary. You will find that what I pointed out was this, that on May 22, 1937, Hahn at the request of General LaFleche, got a letter which he in turn handed to the minister which was for use of the war office, saying that the plant was closed down, and the reason it was closed down was because of certain changes in the plant, not because of bankruptcy.

Q. One of the elements of fraud is, first, that a misrepresentation is made that is false, known by the party making it to be false, made with the intention of deceiving the person to whom it is made?—A. That is right.

Q. Who, acting on the deception, is induced to enter into a contract?—A. No, no. I am sorry. We agree up to that point. It is not necessary that they act on it, but that the representation is made with the intention that the other person shall act on it.

Q. With the intention that they act on it and that they have acted on it. I mean to say, in a case of this kind, they did act on it?—A. Yes.

Q. They did act on it here?—A. Yes.

Q. With the result that they suffered some loss?—A. No, no. Loss is a question for damages. Fraud is a question—fraud in relation to contract is a question that goes to the foundation upon which the contract is created. If there was loss, there may of course be an action for damages as a result of that. If there was fraud with no damages, there might be an action for rescission. The two do not necessarily go together.

Q. You say the representation here is fraudulent because it indicated competence to produce Bren guns which Hahn and his associates did not have?—A. It indicated industrial competence as an existing organization which they certainly did not possess.

Q. Which they did not possess. It indicated the financial strength sufficient to carry out the terms of the contract.—A. That was the purpose, I am quite sure, yes.

Q. Do you say that, having failed to carry out the contract, or that in the execution of the contract since it was signed there has been any evidence of incompetency or inefficiency on the part of the John Inglis Company officials and employees? It indicated a financial strength sufficient to carry out the terms of the contract?—A. That was the purpose I am quite sure, yes.

Q. Now, did you say that they had failed to carry out the contract or that in the execution of the contract since it was signed there has been any evidence of incompetence or inefficiency on the part of the John Inglis company officials and employees?—A. I am unable to say that as you know. I have not been in the plant.

Q. Well now, listen; the position you are taking is this, Hahn went to England, and spent months over there in conference with the British War Office, came back here and confers with the representatives of the Department of National Defence and takes credit boldly and openly, that I was successful in convincing the British government that it would be a good thing for the United Kingdom and Canada to establish in my plant a complete unit for the production of 12,000 Bren guns to meet the Canadian and the British emergency; and he said it was as a result of my representations that I brought a \$5,000,000 contract home to Canada to put Canadian workmen at work, and I have established the most efficient small arms plant in the British Empire; and you say that because certain statements were made about his position with the John

Inglis company that were technically inaccurate, that certain statements as to the value of the plant were over-stated, that instead of being treated as a man who was purely trying to co-operate with the government he should be branded as a criminal and should be indicted for fraud, is that right?—A. You know perfectly well there is no answer to that long speech, you have made three or four different statements there.

Q. All right. Let me give you the answer of Sir Harold Brown, on the 11th day of February, 1938—this is the man who had been the victim of Hahn's fraud— —A. Which man?

Q. Sir Harold Brown.—A. No, Sir Harold Brown is not the man, he was dealing with the British government and the British people.

Q. And Sir Harold Brown was the Director of Contracts at that time?—A. No.

Q. Oh yes, he has since been made the Master General of the Ordnance?—A. Master General of the Ordnance, yes.

Q. He was Director of Contracts at that time, and Mr. Henderson, I think it was, became his successor, but it was with Sir Harold Brown that Hahn had negotiations and in turn by direction from Sir Harold Brown with the British factory; and it was Sir Harold Brown who notified the Canadian government that the British government would negotiate for the production of Bren guns in the Inglis plant.—A. Under pressure from the Canadian government.

Q. All right, under pressure. This is the man whom you describe to us as a criminal, and he is referred to by Sir Harold Brown in this language:

During the past few days we have had some long discussions with Major Hahn, in which we have been greatly assisted by the excellent way in which the two draft contracts had been drawn up. They have been discussed clause by clause, and some minor amendments, intended to make the intentions of the parties more clear, have been agreed with Hahn, and also one amendment of some importance.

That is dated 11th February, 1938. Hahn's first interview with Sir Harold Brown was in November of 1936. On the 16th day of February, 1938, Sir Harold Brown wrote to General LaFlèche, "Dear Colonel LaFlèche.—" —A. What exhibit is that?

Q. That is exhibit No. 230:—

Very many thanks for your letter of 31st January, and for your cables, etc., regarding the Bren gun position, which I hope is now all clear. I shall hope to hear from you shortly to this effect. I quite appreciate your position in this matter and I hope my replies to your cables have met requirements.

I might add that we found Major Hahn most helpful and am full of admiration for the business-like way he has gone into the proposition and for the drafting of the proposed contracts.

I hope you did not think some of our enquiries rather meticulous, since they were all subjects we had already discussed, but I dare say you would understand that they were matters on which it would be necessary to inform the treasury definitely. I gather from Colonel Loggie, who also has been most helpful, that you think you may be able to comply with our suggestion as regards the capital cost of the plant. This would be of material advantage so far as getting through out financial authority. I need not tell you, of course, that it is of vital importance to get it through as soon as possible.

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I am extremely obliged to you for the very kind remarks in the last paragraph of your letter and to know that this appointment at least does not fill you with the gloom that it does me.

With kind regards, and all good wishes.

Yours sincerely,

(Sgd.) H. BROWN.

Some Hon. MEMBERS: Hear, hear.

*By Mr. McGeer:*

Q. Now, in the light of those letters from the British War Office of thanks and appreciation about Major Hahn do you still ask this committee to find him guilty of fraud; because we are here to find out whether you are telling the truth or whether Major Hahn is a scoundrel and a criminal?—A. I told you that Sir Harold Brown had absolutely no way of knowing the details upon which I based my statement.

Q. No, no; let me put— —A. When you spoke there about the drawing of the contracts, you know that those contracts were drawn by Col. Orde.

Q. I know that these contracts as he says were gone over by the British War Office clause by clause, and I know that the British War Office amended section 17, which you condemn in your article; and I know as a lawyer, and so do you, that these contracts were scrutinized by all the officials in the department who had the responsibility of revising and reviewing contracts for the supply of British arms to the British War Ministry.—A. I do not know it, and you do not know it. We only know what is on the record.

Q. All right then. Then I come back to my question; do you still insist in the light of these answers that this committee shall find Major Hahn guilty of fraud with the British War Office?—A. It is not your duty, your duty is to find out whether or not this is a good contract.

The CHAIRMAN: Order. My hon. friend was advised by the chair yesterday that the responsibility of the duty of this committee lies with the chair and with the committee, and I will ask him kindly to refrain from suggesting to this committee what its duties are.

*By Mr. McGeer:*

Q. Now, Col. Drew, I come back to that same question, because your evidence here has been directed to show this man to be a criminal at large who should be brought to book; and I say to you now after I have read those letters to you, do you still ask this committee to find that Hahn has been guilty of fraud with the British War Office?—A. I ask this committee to find that there was fraud in obtaining this contract and that the contract should be cancelled.

Q. Fraud, by whom?—A. By Hahn.

Q. Therefore you ask us to find Hahn guilty of fraud?—A. In effect, yes.

Q. In effect?—A. Yes, but of course, you are not a court finding anybody guilty; you are dealing with a contract.

Mr. McGEER: But this is a committee of parliament which is the highest court in the land.

Mr. HOMUTH: Oh, yes; but it is not a police court.

Mr. BROOKS: We are not a criminal court.

*By Mr. McGeer:*

Q. If Hahn has been guilty of fraud, those who have been responsible by way of condoning or concurring in his deceptions on the British War Office are equally guilty, are they not?—A. If anybody had equally joined in the misrepresentations and fraud they would be, yes.



Q. Yes. When the Deputy Minister of National Defence failed to disclose to the British War Office facts which he knew such as the Alguire report, then he was guilty of fraud too?—A. No. I have explained to you quite clearly that he is not.

Q. Why?—A. For the reason that in the letter given to General LaFleche in London on May 22, 1937, a situation was set out there which did not disclose that the company had been bankrupt, closed down. It disclosed that the buildings had been closed, and that they had been closed for the purpose of changes in the plant, not because it was bankrupt.

Q. Oh, well, LeFlèche told us that he knew the plant was closed down in April, 1936, and he knew it was in receivership.—A. Well, you asked me for an explanation—

Q. I mean to say, you are putting it on a different premises. I am telling you that Colonel LaFlèche, the Deputy Minister of National Defence unhesitatingly says he knew the situation in the John Inglis plant.—A. He said he knew the plant was closed down. Hahn has given an explanation for the plant being closed down, which does not indicate that the company had ceased to function at all. He says it is a going concern and that because of certain changes in the plant it had been closed down. If that is what General LaFlèche believed then there was no reason for him to suggest that this was a bankrupt company with no continuing organization.

Q. But the representations made in the letter which LaFlèche handed to the British war office, according to you, were representations that it was ready to go on with the production of Bren guns and had been ready since the negotiations began to produce Bren guns there.—A. There is no suggestion of that anywhere. You know perfectly well—

Q. In the letter of October 20?—A. There is not a word there about this plant being ready to produce Bren guns. Those were your words.

Q. Is in the letter of October 20.—A. No, it is not.

Mr. FACTOR: You so interpreted it.

The WITNESS: I didn't interpret it. What I pointed out was that this was represented as a group of men controlling plants or plants capable of making munitions. It did not suggest that they were capable of producing Bren guns, and I suggest that is was known both by the department, by the war office and by everybody else in Canada with any knowledge of matters of this kind that there was no machinery in Canada in that plant or in any private company capable of doing it.

*By Mr. McGeer:*

Q. You are aware of course that these charges of fraud that you are making now were all before the Davis commission?—A. I am.

Q. And it was a public inquiry?—A. Yes.

Q. That the British war ministry were fully cognizant of the proceedings?—A. Yes.

Q. And that now—A. Well, at least, I assume they were, yes.

Q. They apparently do not agree with you yet, because I showed you yesterday a communication that after the inquiry was over they were still carrying out the contract.—A. I think the letter you showed yesterday, or rather, a copy of a letter unproved, was—

Q. I can give you my word as counsel that we are getting the original.—A. I am not questioning your word. There was no question about your word, I was pointing out what I thought was an irregularity in the way of proving it. But that was in November, was it not, of 1938? The inquiry was not over then.

Q. When was the inquiry?—A. There was no report in at that time.

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Q. But all the evidence was in?—A. I do not think the evidence was in on the date of that. Was it not the 18th? Was not the date of that letter the 18th of November?

Q. I thought it was the 28th, was it not? Major Hahn tells me he thinks he got it about the end of the inquiry.

Mr. GREEN: Do we know the date of the letter?

The CHAIRMAN: We are trying to locate it.

Mr. McGEER: November 7.

The WITNESS: If it was November 7, you see it was some time before the close of the inquiry.

*By Mr. McGeer:*

Q. Of course, you know that the British office are still carrying on the contract.—A. Certainly, and I am perfectly sure they will continue to carry on as long as the Canadian government does. There is no doubt about that.

Q. And nobody has launched any proceedings against the John Inglis company for fraudulent misrepresentations or incompetency, have they?—A. It would not be for proceedings. If the Canadian government thought there was incompetency, it would be for them to cancel the contract.

Q. As a matter of fact, Colonel Drew, do you know that we have had evidence from Lieutenant Jolley and Mr. Gillespie to the effect that the organization is efficiently carrying on according to plan and schedule and that the evidence of Gillespie, who is one of the outstanding arms men in the British Empire, is to the effect that this plant as it is being organized, developed and equipped under the leadership of Major Hahn will be 100 per cent?

Mr. HOMUTH: And he explained why, because of the facilities of the purchase of the latest machinery.

Mr. McGEER: Surely, Mr. Chairman, we do not have to have that kind of thing. My friend, Mr. Homuth, has got it on the record at least forty times.

*By Mr. McGeer:*

Q. I want to draw to your attention an incident which happened in the Canadian House of Commons, and I am referring to Hansard at page 787.

Mr. GREEN: This is not your speech, is it, Mr. McGeer?

*By Mr. McGeer:*

Q. No.

Let me take you, Mr. Speaker, to that historic room in the Royal York Hotel where so many of my honourable friends on the other side gathered on December 9, and bear in mind that the report—

A. Whose speech is that?

Q. Mr. Slaght, the member for Parry Sound.—A. I wanted to know the voice behind the words.

Q. In his bid for leadership of the provincial party, at a convention where Bren guns and federal matters were not apropos unless they were dragged in for political purposes, this young man made a startling statement. This time I quote from the *Toronto Telegram*. Some of my honourable friends were there, and to their credit I believe their hearts stood still and they were shocked when they heard this utterance. The leader of the opposition smiles his usual bland and delightful smile. If he was in the room and did not rise and protest he should be ashamed

of himself. At this time all the evidence was in; the commissioner was doing his best to make up his mind, to deal with a difficult task and prepare his report, and this is what this young gentleman said:—

You have heard of the Bren gun inquiry. It does not say “cheers,” but the reporter may have missed them.

There is no doubt what is going to happen on that subject. There will be no Bren gun contract with the government when the next session opens.

Were you correctly reported?—A. I was correctly reported.

Q. You were correctly reported. This was a Royal Commission?—A. It was a Royal Commission.

Q. Dealing with a matter of grave public importance to the people of the dominion of Canada?—A. No doubt about that.

Q. At a time of national crisis.—A. I do not remember whether that was one of the periods or not.

Q. You do recall that the matter was sub judice?—A. I recall perfectly well that the argument was made before and that it was pointed out time and time again that it was perfectly legitimate to comment upon various aspects of this, and my remarks in regard to that from which these words are extracted, was the fact, I believed that the evidence was such—regardless of any report of the judge—that the people and the government of this country would be so shocked at a contract of this type that there would be no question about that contract being continued at the time that the session opened.

Q. This is what it says:—

You have heard of the Bren gun inquiry. It does not say “cheers,” but the reporter may have missed the cheers. There is no doubt what is going to happen on that subject. There will be no Bren gun contract with the government when the next session opens.

Mr. LAPOINTE (Quebec East): He is a prophet.

Mr. MACKENZIE (Vancouver): Ordering the judge.

Mr. SLAGHT: Well, what was it? In the first place it was an arrant falsehood. Does anybody quarrel with that statement? In the second place it was a bid for provincial leadership. Does anybody quarrel with that statement? In the third place—

Mr. CASSELMAN: He was then the leader.

Mr. THOMPSON: May I ask the hon. member a question?

Some Hon. MEMBERS: Sit down.

Mr. SPEAKER: Order.

Mr. THOMPSON: I know the hon. member wants to be fair. I was at that convention, and this was after the convention was over.

Some Hon. MEMBERS: Order.

Mr. SPEAKER: Order.

Mr. THOMPSON: It was the night meeting, after he was appointed leader.

Mr. SLAGHT: There is one gentleman who was there. Did he rise and say, ‘How do you know?’ Did he say, ‘You are discussing a matter that is sub judice?’ Did he say, ‘Look out, Mr. Drew; your statement is going to be published in every newspaper in Germany to-morrow?’ No, he did not say that.

A. He was rather flattering to me.

Q. “Mr. THOMPSON: He made the statement after he was appointed leader.

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Mr. SLAGHT: Well then, it is all the worse, because it ties the hon. member in with him. I assume the hon. member was a supporter of his, in his acquiring leadership. Let me then in all seriousness point out to the house what happened. If he had had his way he would have shut the Inglis plant for the four months. He could not do it.

Mr. HOMUTH: Hear, hear.

Mr. SLAGHT: My hon. friend says, 'hear, hear.' May I name him, because I want his name on hansard. The hon. member for Waterloo South (Mr. Homuth) says, 'hear, hear' that the Inglis plant should have been closed for four months, when the British War Office were urging by telegram, and everything else, 'Get out those Bren guns as fast as You can.'

Now, when you made that statement you were at a party political meeting, were you not—A. I was.

Q. And can you say that as a party partisan you did not use on the first occasion that you appeared after becoming Conservative leader in Ontario, the Bren gun incident as part of your political activities?

Mr. HOMUTH: No, just to show—

The WITNESS: No.

*By Mr. McGeer:*

Q. He is answering these questions, not you.—A. I say my answer is no.

Q. I suppose you would agree with this statement of the leader of the Conservative party in the house of commons? Mr. Slaght is speaking again on the same subject.

Mr. SLAGHT: . . . Let us see what George Drew wanted, and I would ask hon. members to notice the date I am about to mention. An interview appeared in the press on September 1, 1938. That interview was with Mr. Dingman of the *Globe and Mail* staff, appearing in the *Globe and Mail* of September 2. The heading is:

Drew demands work stopped on Bren guns. Would close Inglis plant till probe of deal is concluded.

That is a significant date, September 1. A reference to the report of the commission will show that the report was brought in on December 29. If George Drew had had his way the Inglis plant would have been closed down for three months and twenty-seven days so that a young politician might become leader of his provincial party. Will any hon. gentleman across the way dare state, now or later, that he approves such a demand? The question answers itself; no. Did Colonel Drew consult the British War Office as to what effect it might have on their plans if the Inglis plant were closed for four months. Certainly not.

Mr. MANION: It could be closed for four years and make no difference.

Do you agree with that?—A. I think it would be very much better if it had been closed and we had a government plant in its place, and you will probably—

Q. That is not the question. Do you agree with the hon. Mr. Manion's statement?—A. I agree under the circumstances here it would have been better if that plant had been closed while the inquiry was under weigh; but, of course, I did not know then, and nobody else knew this thing was going to drag out this way and there was going to be no action by the government.

Q. But there has been good action by the John Inglis plant.

Mr. BERCOVITCH: Which is much more important.

*By Mr. McGeer:*

Q. They have got on with the production of essential arms for Canada and the United Kingdom.—A. There is no question that the plant is being equipped but they are not in production yet on the Bren gun.

Q. Do you find any fault with the men, the organization, the rate of progress and the results produced to date?—A. I find the greatest fault with the kind of organization. The organization is those who are behind this company. The organization in this case is Hahn, the two Plaxtons, three brokers and the people to whom stock has been sold. As far as—

Q. Do you put yourself up above Gillespie, who is a man over 60 years of age?—A. In regard to what?

Q. In regard to being able to say as to the efficiency of the organization, of the John Inglis plant on the work they are doing under the direct guidance and leadership of Major Hahn?—A. The equipment of the plant is one thing, the organization in this case is the company, and the company in this case is a corporate structure which I think is entirely unsatisfactory from the public point of view.

Q. All right. I suppose that was the reason when on February 25—

*By Mr. Golding:*

Q. You say it does not matter about results.—A. My point is this, there are men in this country who can make Bren guns beside Hahn in a plant properly organized from the stock point of view. In this case what I object to is watered stock to the extent of 76.6 per cent and a hand-out for nothing of stock worth over a million dollars.

*By Mr. Macdonald:*

Q. What has that got to do with the efficiency of the plant?—A. I still think it was not intended in this country that people should be handed for nothing stock worth over a million dollars because of the need of arms in Canada.

*By Mr. Factor:*

Q. Where do you get the "for nothing" stock?—A. If you want me to go into the stock structure, I will be delighted to do it right now.

*By Mr. McGeer:*

Q. I want to draw your attention to one statement of Major Hahn's on page 435. He is dealing with giving the British War Office all the information about his plant. This is what he says:—

This appointment with Sir Harold took place about the middle of November, 1936. I had with me at this interview a book of photographs showing the Inglis plant in its closed down condition, which was placed before the commissioner as exhibit No. 328; also the 1929 appraisal, exhibit No. 297, and a large scale set of blue prints showing each building of the plant and showing each machine in each building and the type and capacity of every machine.

When Hahn took the 1929 appraisal showing all the details of the machinery and equipment as it was valued at 1929, and the pictures of the plant in a closed-down condition, was that not a complete presentation of the facts to the British war office in November, 1936?—A. No.

Q. It was as regards the plant, its closed-down condition and the value of the machinery in it?—A. There is no evidence that it was explained that it was in a closed-down condition. The photographs are excellent photographs of a plant filled with machinery or fitted out with machinery; and as a matter of

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fact they would probably be exactly the same if they were taken when the plant had been in operation, because doubtless inside they would have been taken with nobody there so that the photographs could be taken with sufficient time.

Q. Under "Additional statements by Col. George A. Drew," I find one reported in the *Globe and Mail* of February 25, 1939, as follows: "I say there is not a single piece of equipment in the Inglis factory to-day for the manufacture of the Bren gun."—A. That is not a correct report.

Q. That is not a correct report?—A. No.

Q. What did you say?—A. What I said was that the machinery was not yet ready to produce the Bren gun. I remember that at the time.

Q. Did you ever complain of that statement in the *Globe and Mail*?—A. I do not remember that I did, no.

Q. Did you see the editorial they published about that afterwards?—A. I have seen a great many; and if it is a case of exchanging editorials, I can read you editorials for one paper after another in Canada.

Q. I am reading your statements. You are quoted in the *Globe and Mail* of February 25, 1939, as follows:—

I say there is not a single man working on Bren guns in the Inglis factory and there won't be for a long time.

A. You know there is not a Bren gun being turned out in the Inglis plant.

Q. Is that correct?—A. That statement is correct. There is no man working on Bren guns at this moment in the plant. What they are working on is the machinery for the ultimate production of the Bren gun.

Q. Let me quote completely the statement in the *Globe and Mail* of February 25, 1939: "I say there is not a single man working on Bren guns in the Inglis factory and there won't for a long time, if ever." Were those political speeches? You made that statement, did you not?—A. You divide your question. I made the statement, yes.

Q. All right. Let me give you the comment of the *Globe and Mail* on September 2—a few days afterwards.—A. There seems to be a little difference in the dates, does there not?

Q. I am sorry, I got the wrong one. It is the *Globe and Mail* of February 28. The editorial says, "Has not Colonel Drew had enough"?—A. My answer is "no."

Q. Well, the time ought to come when you will have some respect for your public men in Canada who are trying to do something worthwhile.—A. I have respect for every public man in Canada who is trying to do something worthwhile. But if you want to start exchanging editorials on this matter, I can give you a Roland for your Oliver for your every one.

Q. I draw your attention to this one because you say it is an incorrect statement. I am anxious to know why you did not correct it, and the more so after this in the *Globe and Mail* of February 28, 1939:

As to the charge that not a single man is working on Bren guns in the Inglis plant and that equipment is not available for manufacture, Colonel Drew knows that time is required to obtain dies and tools. Despicable deception like this was answered, also, at the commission inquiry by Mr. Gillespie, the man sent out by the British war office to superintend operations. Mr. A. G. Slaght, K.C., explained to the House of Commons that Mr. Gillespie had been in the employ of the war office for 38 years, for 18 years in charge of the royal small arms factory at Enfield. He had been released by the British Ministry of Munitions to assist in small arms manufacture in well-known United States plants and was sent to the John Inglis Company for the life of the Bren gun contract. Here is some of his evidence:—



Q. And from your experience with them here, what do you say as to their efficiency as engineers in charge of production, or in charge of planning for production of Bren guns?—A. I would say they are 100 per cent.

Q. 100 per cent?—A. Yes.

Q. Well, that is pretty good.

The COMMISSIONER: As the schoolboy says, it is not good; it is perfect!

A. Of course, you know that he said that facetiously.

*By Mr. Factor:*

Q. In other words, 100 per cent is not perfect.—A. No. It is an old joke and every one of us heard it in the cradle.

*By Mr. McGeer:*

Q. He said it facetiously. Did Gillespie say it facetiously?—A. No. I think Mr. Gillespie said it very seriously; and the judge made a comment that you know has been made about remarks of that kind since we were in our cradles. Those in the courtroom laughed heartily at what was an excellent joke. I am not suggesting that Mr. Gillespie was not serious. The judge's comment was intended to apply, as that comment always does apply, to the fact that if it is 100 per cent, that is certainly going whole hog.

Q. You have told us at great length to-day, and somewhat deliberately, that you want this committee to find Hahn guilty of fraud?—A. I told you that I want this committee to recommend that this contract be cancelled, and that the government take over the operation of this plant, retaining men like Gillespie and the other men who do know something about it.

Q. Where will you get men who can bat a better average on Bren gun production than 100 per cent as is indicated by Gillespie's evidence here?—A. Well, I think it is a little early to talk about 100 per cent efficiency. It is only natural that he thinks they are going to do it pretty well, but they are far from production yet. The time to talk about 100 per cent efficiency in production will be when they are in production.

Q. The British war ministry is looking for 5,000 guns from this plant at a time when the British Empire is being threatened as it never was threatened before. Hahn has been able to enlist the complete co-operation and support of the British war ministry in the work of this company—A. No, it was the Canadian government.

Q. And you want us to find him guilty of fraud?—A. The Canadian government enlisted the support of the British War Office.

Q. Have you read Colonel Dewar's report on that?—A. On what?

Q. Because there is an exhibit in which Colonel Dewar says that if he interprets the facts correctly, the British contract in Canada was due to Hahn.—A. Then he does not interpret it correctly.

Q. He does not interpret it the way you do, but that does not mean that he does not interpret it correctly.—A. Nor the way the judge did. The judge's finding is explicit that this contract was obtained due to constant pressure from the Canadian government; and the record is clear on that.

Mr. BERCOVITCH: That does not say there is any fraud.

Mr. GREEN: What exhibit is that you are referring to, Mr. McGeer?

Mr. McGEER: I should not have mentioned it. Now I will have to look it up. I will find it, though, Mr. Green.

Mr. GREEN: I should like to have a look at it.

Mr. HOMUTH: Just to keep the record clear.

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Mr. McGEER: I have it here, but I do not remember where it is. Oh, by the way, I would like to put on the record that the appraisal that was taken to the British War Ministry is Exhibit 296.

There was just one other point, while I think of it, you are aware that in Exhibit 69, Col. Drew—

The WITNESS: What is Exhibit No. 69?

Mr. McGEER: Exhibit 69 was the report of N. O. Carr—it is dated the 3rd of June, 1936:—

The number of guns required to actually equip units in accordance with defence scheme No. 3 is 4,000. If to this figure is added sufficient to replace initial casualties and to provide for training of reserves, the gross requirements will approximate to 7,000 rifles.

The WITNESS: Is it not 7,000 guns?

Mr. McGEER: 7,000 guns—he calls them rifles in this report.

The WITNESS: May I see the report?

Mr. McGEER: Yes.

Mr. MacNEIL: Read the part about the obsolete equipment.

Mr. GREEN: Why don't you read the whole of that?

Mr. MacNEIL: What number is it?

Mr. MacINNIS: It is exhibit No. 69.

Mr. BERCOVITCH: Why not read all the evidence taken by the Davis commission?

Mr. GREEN: Well, I object to this reading of a part of an exhibit.

The WITNESS: This report of Colonel Carr's is extremely interesting, particularly from this point of view, that you informed me yesterday that I was not correct when I said that the statement had been made that they were going to attempt the manufacture of rifles under this scheme. It says here: "The unit factory visualized is one capable of producing 400 service rifles per week of 48 hours. This is an economic unit but operations could be conducted on a lower scale with satisfactory comparative saving." This contemplates the manufacture of both machine guns and rifles. Certainly the Department of National Defence, in addition to General Ashton, had been considering the manufacture of rifles in this country.

Mr. McGEER: Do you forget the statement that I read to you this morning on general policy?

Mr. MacNEIL: Read the first paragraph on page 2 as well.

Mr. McGEER: You remember what Elliott said in that book to which I referred you?

The WITNESS: I have not forgotten at all. I did not know that we were taking our orders from the United States.

Mr. McGEER: Nobody is stating that we are.

The WITNESS: He was speaking with regard to defence measures in the United States.

Mr. McGEER: What I said to you was that the description of a program of preparation in peace time outlined there was a good description of the program that was being followed in Great Britain, and that my information was that the contract which we have before us was a reflection of what the Department of National Defence had developed in the way of policy; and the reason for the machines being selected to produce rifles as well as machine guns was because there is no greater cost, and because in the event of the emergency of war this equipment should be available if taken over by the country to meet any require-

ments in the most effective way; and the evidence before this committee is that the selection of machinery suitable for the production of rifles and other small arms was adopted by the British War Office and we acted on their advice. But you see, Col. Drew, it does not necessarily follow that because Great Britain and Canada are preparing for the emergency of war production, which we hope will never come, that there is an implied contract to give more contracts to the John Inglis company. Naturally one whose mind moves in clouds of suspicion infers that kind of thing. You are the victim of a tragic condition.

The WITNESS: That is really your best effort yet, Jerry.

Mr. McGEER: I think you ought to have your head examined.

The WITNESS: I think after that you should too, perhaps we both better go together.

Mr. McGEER: I'll go with you, and I bet I get the best of it.

The CHAIRMAN: Well, gentlemen, shall we adjourn for that purpose?

Mr. MACNEIL: May we have the balance of exhibit 69.

Mr. GREEN: Mr. Chairman, Mr. McGeer only read a portion of exhibit 69.

The WITNESS: Just one moment. I think—Mr. McGeer has very kindly handed me that report of Col. Carr's and in this he has referred to my using the word "obsolete" in regard to small arms. This is a report by Col. Carr, one of the really experienced ordnance officers in this country, and he makes a report here in which he gives the details of a proposed arsenal for the manufacture of small arms including Bren guns, rifles and pistols. He says:—

Such a method of supply has therefore the distinct advantage that we would thereby become more or less independent in the production of light weapons. The importance of this is more fully realized when it is appreciated that all our equipment in this range is practically obsolete or about to become so.

Mr. McGEER: Are you aware that at the time that report was made—

The WITNESS: This is 1936.

Mr. McGEER: I am going to give it in evidence. Are you aware that at the time that report was made that the British War Office were developing a new kind of gun, the one you referred to; it was developed but it had never been adopted and had never come into production; but I am going to give that evidence before you.

The WITNESS: You can give it, but I do not believe your statement.

Mr. McGEER: I can only take the evidence of men who are in the department and whose business it is to know these things.

Now, to go on, Col. Drew—

The WITNESS: Mr. McGeer, I assure you that I do not want the report to infer that I have at any time taken the examination away from you, but in the course of your examination you referred to Mr. Elliott's description of the situation, and while he is recognized as an expert in defence matters in the United States I do not think the situation there is in any way comparable to the situation in Canada. This contract does not apply to that, or to the situation to which it refers. I would like to read into the record the actual recommendation of the royal commission in England with regard to that.

Mr. MACNEIL: All right, let us have it.

The WITNESS: Well then, I would like to read into the record from exhibit 209 at the inquiry, which is the Royal Commission Report on the Private Manufacture of and Training in Arms, and that report covers a period of examination during 1935 and 1936, they made very comprehensive recommenda-

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tions, and from the point of view of private manufacture they found that it was not possible to convert the existing private plants into publicly owned plants; and here is an important recommendation:—

We recommend further that the government's own manufacturing establishments should be fully equipped for the production in some measure of naval, military and air armaments, that they should specialize in scientific research, that they should be responsible for the training of technical experts, take the initiative in the production of designs and improvement of machine tools and the formulation of mass production methods not only for their own manufacturing requirements, but for the use and instructions of the private industry of the country in time of emergency. But this means the government establishments would in cases of emergency be ready with the specifications, gauges, and particulars of machine tools necessary for rapid expansion by private firms. They would provide standards by which costs could be checked. They would develop instruction in mass production methods and would have a trained personnel available for service as instructors in times of emergency. They would no longer have to rely entirely, as they do at present, upon private armament firms for any types of weapons, and would be fully equipped for such production. They would therefore take a more important place than they now occupy in the national system of defence, and would be in a better position to serve the nation in time of emergency, when private industry is placed under a strain of expansion not yet within its powers to fulfil, or when some international limitation of arms may induce private industry to restrict or even abandon its present range of manufacture.

Now that policy has been adopted in Great Britain. What they are actually doing there now is to set up the government plants in every type of production so that they will be able to train instructors who can then go out; and when this refers to the idea of orders to plants here and there those plants are incidentally tied into this plan of having government plants capable of making every kind of weapon.

They also say:—

We further recommend that the government-owned manufacturing establishments should be fully equipped for the production in some measure of naval, military and air armaments of all types.

That is my contention now.

Mr. BERCOVITCH: Read the rest of it, Colonel Drew.

*By Mr. McGeer:*

Q. I do not think we need to go that far because I think the evidence of the Minister of National Defence is that he is quite in agreement with that. What the Minister of National Defence has told us is this: I am like every other minister in the government of this country. I take the recommendations of my officers, I present them to the treasury board, I then know as a minister how much money I am going to get for my department. I have to take that sum of money back to the representatives of my department and distribute it among what they think are the most essential things. So he says and so the commissioner finds that he says. He said, I believe in public ownership, and if we had the money to carry out that program I would be glad to do it, and I hope some day to get to it. He said, I have to conduct the Department of National Defence according to the means that are supplied me, first, by the government, and, finally voted by parliament. And when we are considering a matter of this kind we have to take our minds back to 1936 and 1937 when the condition of public

opinion in this country was very different from what it is to-day, and when the thought of setting up arsenals to manufacture weapons not only for ourselves but for the British government was being denounced by many shades of political opinion and by many sections of the Dominion of Canada.

Now, we are called upon, I think, Colonel Drew, to deal with this situation as far as the Department of National Defence is concerned in the light of how much money was available and what the policy of the government was with reference to manufacturing guns for other governments. And we have the evidence very clear that the declared government policy was that this government would not set up an arsenal to manufacture guns for other countries in this country.

Mr. GREEN: Where is that in the record?

Mr. McGEER: Mr. Mackenzie gave it in his evidence.

Mr. GREEN: You said that was the evidence. Where is it?

Mr. McGEER: You can look it up yourself.

The WITNESS: I think that is so, yes.

*By Mr. McGeer:*

Q. I think you agree with me on that?—A. Yes.

Q. Mr. Mackenzie said we did not have in 1936 or 1937 funds voted and I could not get them voted. As a matter of fact, he could not get a comparatively small unit set up, and out of the monies that we did finally get, when the officials got to it, they decided that there was no chance to set up an arsenal, could not set up an arsenal, and they expected to buy the guns abroad until Hahn came along with his proposal that he could get the British government to come in with us.—A. Oh, no.

Mr. MacINNIS: The royal commission did not accept that statement.

Mr. McGEER: I do not think there is any dispute between Colonel Drew's ideas as to the adoption of this policy outlined here in the commission that he has read as between himself and the honourable the Minister of National Defence. But his difficulty is to get the money voted to put this country into the business of producing arms as a public activity.

Mr. MacINNIS: I do not think that was his difficulty, I think his difficulty was that there was a school of thought in his department opposed to government manufacture, and that that school had its own way.

The WITNESS: The finding of the royal commission is not in accordance with the story as you have put it. What it says is this:—

The minister said that General Ashton (the then chief of the general staff) was very insistent upon the development of government arsenals and that the former chief of general staff, General McNaughton, evolved a very comprehensive scheme for Valcartier which would include practically all the requirements of the Canadian forces.

Then Mr. Mackenzie is quoted as saying:—

That was considered after I went into the department and I found that the cost of it would be something between \$30,000,000 and \$35,000,000. With my meagre \$25,000,000 or \$30,000,000, what could I do with a scheme like that?

The report goes on:—

During his testimony the minister said:—

I may say very definitely that the plan of government ownership as such has never been definitely abandoned; it has just been postponed because of the financial stringency which was particularly embarrassing to the Minister of National Defence.

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And this is the judge's finding:—

But the testimony given before the commissioner established that only 60,000 square feet of space was necessary for the production of the 7,000 guns for Canada as well as 5,000 guns for the war office and that an entire new building (apart from land) would cost approximately \$120,000. In proposal "B" of Major Hahn (Exhibit 11) of December 29, 1936, the building was shown at an estimated cost of \$104,196.40.

So that the suggestion that it was because of financial stringency does not hold water. It was going to cost the government exactly the same to put up a plant for the production of Bren guns as a government arsenal as it was a private plant where they are paying the whole cost.

*By Mr. McGeer:*

Q. Now, Colonel Drew, that is a very nice statement but it is so far from the facts that I hope you will not mind if I correct you.—A. If you can, yes.

Q. The finding was not just as you state. The difficulty was, as I pointed out, that the dominion government laid down a policy that they would not manufacture guns for a government abroad and had so declared at the Imperial Conference. The departmental officials had decided that to put a plant up for production in Canada to bring the thing within reasonable cost would necessitate production of at least 12,000 guns. The minister then was confronted with the proposition, as he told us very clearly, of giving an order for 7,000 guns in England or taking advantage of an order for 5,000 guns coming to Canada. If he set up his government plant he could not take that order in a government arsenal under the policy that existed. By entering into the arrangement with the John Inglis company he was able to bring a \$5,000,000 contract over here, and he established on a reasonable cost basis a complete plant that would have the supervision in its development of the British war office and that would be completely owned, as far as machinery was concerned, by the Canadian government, and which could be taken over at any time by the Canadian government under the terms of the contract.

Now, do you say that the Minister of National Defence quite irrespective of cost should have said "No" under that policy: "We won't co-operate with the British government and give the contract to Hahn, but we will set up a plant to produce 7,000 guns for ourselves"?—A. I think that the Canadian government should have co-operated with the British government in carrying out the idea the British government wanted displayed. That was a government plant in Canada, and I think the Canadian government should have been willing to supply any guns to Great Britain from a government plant that they wanted.

Q. But you see the rascal in this affair is the Honourable Ian Mackenzie, and, unfortunately for him, he was not the Canadian government.—A. It almost looks as though he were.

Q. If your attack is that the policy of the government in not producing guns for England and Canada in a Canadian government-owned arsenal was the thing to be condemned then there is no need for attacking Hahn and those connected with this contract or this contract as being born in sin— —A. Conceived in sin.

Q. —conceived in sin, born in iniquity and cloaked in fraud. You see, if it is merely a question of government policy, fraud does not come into it.—A. It is not a question of government policy, Mr. McGeer, and what I pointed out to you is this: The general staff, right up to the summer of 1937 were recommending the completion of a government arsenal. Canada had had no experience in selling arms to anybody. We had not made arms in Canada since the great war, and I am perfectly sure that if the Honourable Ian Mackenzie had recommended to the government that we establish a government arsenal and from it



sell them 5,000 guns in addition to what we would make for ourselves, the government of this country would have complied with his recommendations as they did comply with the recommendation before them.

Q. Well, we had a definite declaration to the contrary, but I suppose you know more about what takes place in the cabinet of this country than the Minister of National Defence.—A. I really am inclined to think I do.

Q. I believe you do think that.—A. I do, from some of the evidence that was given.

Q. I believe we can take that statement of yours as a fair criterion and guide for the judgment shown in practically all your statements before this committee and in your article.—A. No; I base that on a very definite thing that came out in evidence. When the Prime Minister of Canada wrote a letter in reply to Mr. Hugh Plaxton, who had inquired about the possible manufacture of arms by a group of friends fully equipped to manufacture munitions, he pointed out that there would be no objection to them seeking business in England, but that the one thing that must not happen was that either directly or indirectly the government would not intervene in helping to get the contract. Yet in spite of that declared policy by the Prime Minister, stated according to his letter after consultation with the cabinet, the Honourable Ian Mackenzie went ahead and did that very thing. So I do suggest he didn't know what was going on in the cabinet.

Mr. MACNEIL: There was also exhibit 134.

The WITNESS: Yes, I will be very glad to read his letter.

*By Mr. McGeer:*

Q. Again your suspicions are running riot with your understanding.—A. Oh, no.

Q. Because what the Prime Minister said was, We are not going to stand behind individual companies in securing contracts with the British war ministry. But this was not altogether that. That was something much more important, and if you told all the truth you would not have so much difficulty with people questioning your motives. Now, here was a case where the deputy minister and the minister said we were anxious to get 7,000 Bren guns; we did not want to let a contract in Czechoslovakia; we had been informed that the supply of Bren guns from Britain was uncertain, and we were confronted with the proposition either of getting them from a private plant in England, which was the secondary source of supply there, or co-operating with a private concern here that would produce our guns as well, and the Prime Minister approved of the course that the honourable the Minister of National Defence took to this extent, that after your charges had been levelled against him when the Prime Minister was away, the Hon. Ian Mackenzie led the House of Commons in his place, and there is no member in his cabinet, notwithstanding your charges, who stands in higher regard in our Prime Minister's estimation than the Hon. Ian Mackenzie does to-day.—A. Well, now, since you have finished, and you have questioned the accuracy of my statements pointing out I would not have so much difficulty if they were accurate, let me read the Prime Minister's letter of September 12 to Mr. Hugh Plaxton, exhibit 343:—

OTTAWA, September 12, 1936.

HUGH PLAXTON, Esq., M.P.,  
320 Bay Street,  
Toronto, Ontario.

Dear Mr. PLAXTON:

I have delayed in acknowledging your communication of August the 24th until I had opportunity to discuss its representations confidentially with my colleagues in council.

[Lieut.-Col. George A. Drew. K.C.]

I may say, in reply, that we see no reason why a Canadian firm established for the manufacture of munitions should be precluded from obtaining orders from the British government. It would be necessary, of course, to see that it was distinctly understood that such orders as were obtained, were at the instance of the firm itself and not either directly or indirectly, at the instance of the government of Canada. Any company doing business will, of course, be subject to any regulations or control which the government may decide or exercise at any time.

With kind personal regards,

Yours very sincerely,

(signed) W. L. MACKENZIE KING.

I say that in this case the obtaining of the contract over there was at the instance of the Canadian government, very clearly, from the evidence.

Q. Well, that is what you say. But do you not agree with me that that letter referred to a private concern going to England after a contract with the British War Office?—A. Quite.

Q. And do you not agree that there is a different situation when a private concern is advancing a program of a supply of guns for the Canadian government that are dependent upon the British War Office giving a contract? The Hon. Ian Mackenzie said "yes" as soon as we came to believe that the British War Office would cooperate in financing the production of a Bren gun plant here and give us an order that would make production of guns such that costs would be reasonable, then we were anxious for the British government to do that thing and we did press for a decision that they would follow that course, because we felt that if they would it would solve our problem of supply. Now, do you ask the committee to find that because the Prime Minister laid down a program on one set of circumstances that they would not have followed in regard to another set of circumstances which completely changed the picture—and this thing has the sanction and approval of the Prime Minister—that we should find the Minister of National Defence guilty of fraud on the Prime Minister?—A. Now, again, you see you are using words that were not used. I did not suggest the word "fraud." I did suggest the fact that he had departed in this instance entirely from the instructions of the Prime Minister and when the recommendation was finally made for adoption by the cabinet council in March, 1938, it was passed as a completed transaction approved apparently by the interdepartmental committee.

Q. Here is what Colonel Dewar has said about Hahn's program, and there is another exhibit where he goes even farther. I have not got it at hand but I shall get it later. This is what exhibit 42 says:—

The total Canadian requirements of Bren guns is 7,000 and it is recognized that for the production of this quantity of guns the installation and operation of a complete plant would prove very expensive, but, should the war office agree to placing an additional order with Canadian contractors selected to produce Canadian requirements, it is possible that a reasonable cost of production can be arrived at.

With this in view, the general manager of the John Inglis Co., Toronto, proceeded to England about a year ago and began negotiations with the war office and with the other government officials responsible for the rearmament program in England towards the production of Bren guns in Canada for war office requirements. These negotiations . . .

That is the negotiations of Hahn.

Mr. GREEN: And LaFleche.

Mr. McGEER: "These negotiations have resulted in an expression of interest on the part of war office officials and it is believed that, if, with the increased cost of labour and material in Canada, a satisfactory financial arrangement can be made and, subject to the Canadian government approving production of 7,000 guns, that the war office will be prepared to give an order for the manufacture of 5,000 Bren guns in this country."

And then over at page 4 he gives his advice:—

"It is not considered that Bren guns can be produced in a government-owned and operated factory as cheaply as in the plant of a civilian contractor. Many features enter into a comparison of costs, for example:—

- (a) The cost of machinery would be the same in each case;
- (b) The capital expense of erection of a suitable building would greatly increase costs;
- (c) The overhead expenses of a civilian plant would be spread over the normal production of the company as well as over the Bren gun costs.

That is so in this case; because as you know, we are getting the services of whatever members there are of the staff and the executives in the Inglis company plant and paying them only for the proportion of time that they apply to Bren gun production. That is on record.—A. I would not think they would pay any more, would they?

Q. Well, that was the understanding and agreement from the moment the contract was entered into.—A. There is no doubt about that.

Q. Why did you suggest it was suspicious? Why did you ask the question in your article?—A. What question?

Q. The public should know.—A. What?

Q. What the salaries of these officials are going to be.—A. Do you not think they should?

Q. But there never was any doubt about that; it was a matter of public record when you were writing your article?—A. No, it was not.

Q. It was a matter of record in the Department of National Defence and available to any member of parliament that would call for it.

Mr. GREEN: We did not get that—

The WITNESS: And all the salaries have been fixed even since the time the article appeared. As a matter of fact, I understand just a short time ago that an application was made to change the basis upon which the salaries would be made.

*By Mr. McGeer:*

Q. Yes, but there never was any question from the time the requisition was put in in May, the first distribution, as to the right of a government to fix the basis of that distribution in the contract. Continuing with Colonel Dewar:—

- (d) Civilian business organizations are more highly specialized in production methods and have more freedom of action in developing production.

Here was an official in the department, Colonel Dewar, reporting against public ownership, saying that it would be more costly and recommending the adoption of the proposal that was in the offing, namely, a complementary contract with Great Britain for production in the Bren gun establishment in the Inglis plant.—A. There were recommendations, as you know, both ways.

[Lieut.-Col. George A. Drew. K.C.]



Mr. GREEN: This recommendation was at the end of December, 1937, which was six or seven weeks after England had said she was ready to contract with Inglis.

Mr. BERCOVITCH: It was before the contract was signed.

*By Mr. McGeer:*

Q. It shows quite clearly that the matter of whether or not the government would go into its own production or give the contract to Hahn was still under consideration in the department, does it not?—A. Well, the Canadian government had, of course, long before that decided that they were going to deal with Hahn.

Q. The Canadian government never decided any such thing.—A. Oh, yes; they decided that long before.

Q. Who in the Canadian government decided that?—A. The department had decided, long before that, that if they could get the consent of the British government to order 5,000 guns from this plant, they would go ahead with the order—long before that.

Mr. FACTOR: It is six o'clock, Mr. Chairman.

*By Mr. McGeer:*

Q. As a matter of fact, you know perfectly well that the departmental committee asked for tenders; and if the British War Office had agreed to the calling of tenders, tenders would have been called?—A. Oh, Mr. McGeer, that is not the story at all. The story is this, that the Canadian Department of National Defence decided on Hahn in the fall of 1936; and all through 1937 they were pressing the war office to give an order for 5,000 guns; and when this interdepartmental committee was finally seized with this matter in January of 1938, the whole matter was completed and they were told then that the situation had reached a point where they could not go back on their steps. That is what happened.

Mr. McGEER: I suggest eight o'clock, Mr. Chairman.

The CHAIRMAN: Is it the wish of the committee to adjourn until eight o'clock?

Mr. MACNEIL: To-morrow morning.

Mr. BERCOVITCH: Yes, to-morrow morning. The house is not sitting to-night.

The WITNESS: Mr. Chairman, might I point this out? There has been some resentment raised owing to the suggestion that I am trying to run things. I am not trying to run things at all. But, after all, while I may not belong to such an important legislative body as you do here, the fact remains that I have certain duties to perform, and if it is possible that this could be finished to-night, I believe that it would be very much better to do so.

Mr. McGEER: I certainly agree with that. I think that if we could only go on with this thing to-night, we could finish it up to-night; and I believe we should endeavour to do so.

Mr. SLAGHT: I think so too. Colonel Drew has other duties, and we ought to try to finish.

Mr. McGEER: While we may not agree on many things, I quite appreciate that Colonel Drew is a busy man; and after all, he has given a great deal of time to this thing. I think we should consider his wishes as much as possible. We adjourned last night because I got tired, unfortunately, somebody thought. If I had known that was the reason we adjourned, I can assure you I should have been glad to go on last night. However, I should like to finish to-night.

The CHAIRMAN: Gentlemen, even if we had met last night, it would not have made any difference in the plans of the witness, because we would not have

been finished. In view of the fact that there was some criticism last night about the adjournment, I hope we can get practically unanimous support for the proposal that this committee sit to-night.

Mr. GOLDING: Let us get on and get it over with.

Mr. MACINNIS: Can we sit to-night when the house is not sitting?

Mr. McGEER: Yes; I looked up the rule on that.

The CHAIRMAN: What is the wish of the committee?

Mr. McGEER: I move that we sit to-night at eight o'clock.

The CHAIRMAN: You have heard the motion, gentlemen.

Some Hon. MEMBERS: Carried.

An Hon. MEMBER: Make it eight-thirty.

The CHAIRMAN: If we call the meeting for eight o'clock, it will be eight-fifteen before we get started.

The committee adjourned at 6.05 p.m., to meet again at 8 p.m.

### ————— EVENING SESSION

The committee resumed at 8 o'clock.

The CHAIRMAN: Gentlemen, if you will come to order, we shall proceed.

Lieut.-Col. GEORGE A. DREW, recalled.

*By Mr. McGeer:*

Q. Col. Drew, we were dealing with certain statements that Col. Dewar made at page 2.

Mr. MACNEIL: What is the exhibit number?

Mr. McGEER: Exhibit 51.

*By Mr. McGeer:*

Q. Then at page 2 of that exhibit we find this:

Although it is not one of the functions of the M.G.O. Branch to make any selection of contractors or to comment upon the relative merits of cost plus contracts by selected contractors or procurement by the tender system, it is felt that some remarks are necessary in this case.

There is an impression in this branch that quite a number of Canadian manufacturers have attempted, either by personal interview or by correspondence with war office, to obtain contracts for war material from the war office. As far as is known only one firm in Canada has succeeded in obtaining a contract.

The lack of interest as exhibited in regard to placing of orders in Canada, appears to be overcome only by the interest which any particular Canadian contractor can create in war office in the production which he proposes to undertake.

If my interpretation of the situation is correct, the President of the John Inglis Company has created an interest which has resulted in war office indicating that, subject to certain conditions, assistance to the extent of an order for 5,000 guns might be given. I would like to suggest here the possibility that any hesitancy on our part might easily destroy all the interest which the company has created.

A. What is the date of that, by the way?

[Lieut.-Col. George A. Drew. K.C.]

Q. That is signed by D. E. Dewar for the Master General of the Ordnance, and is dated the 18th of January, 1938. Dewar was the officer in charge of the Production Branch of the Ordnance Department, was he not?—A. He has a long title; I have forgotten exactly what it is.

Q. I mean, we have got it in evidence that he is in charge of such men as Jolley and of the production of ordnance and equipment, repairs and new production and all that kind of thing, and had to do specifically with this Bren gun contract. You will agree that he was in a position to form an opinion, was he not?—A. Evidently not.

Q. The only reason you say that is because he does not agree with your opinion.—A. No. I will read to you something that very much contradicts the effect of that.

Q. Yes?—A. If you will refer to exhibit 153, dated the 8th day of June, 1937, a letter from General LaFlèche to Sir Harold Brown, you will find that in that they had already made up their minds about Major Hahn and that there was no question as to whether Major Hahn had interested the war office or not. The Department of National Defence had decided on Hahn and were merely waiting for the war office, and this is what it says:

It is not considered that a single plant can turn out the guns quickly enough—particularly in the event of an emergency. However much we in Canada may wish to obtain guns and however strongly we may feel the necessity of having a safely located additional plant, it is not considered practicable to set up a factory unless at least 12,000 guns are to be produced therein.

That is June 8, 1937. Continuing:

Should an assurance be given that at least 5,000 guns would be ordered by, say, the government of the United Kingdom, the Department of National Defence would immediately recommend entering the final stage of our negotiations with Major Hahn.

Q. What do you take out of that?—A. I take out of that what I said this afternoon in answer to your question, that the Department of National Defence had decided then—in fact, had decided long before—that Major Hahn was the man they were going to deal with, and the only thing that was holding it up was their ability to persuade the war office to carry out their suggestion of making a deal for 5,000 guns with Major Hahn.

Q. Assuming that your answer is the correct one, Dewar apparently could not have known that fact?—A. I am sure that is possible; there are a lot of things that would look as though there was not a complete exchange of information in the department.

Q. That would be part of the cloak of fraud you refer to?—A. Oh, no.

Q. Oh, no. You would like to drop the cloak of fraud, would you?—A. No, we will not drop the cloak of fraud. I have indicated where the fraud lies and where the incompetency lies.

Now, if we can get on—A. Yes.

Q. —I am going to try to co-operate with you so that you can get your train to-night; and any of these other things we have not settled to-night, we will settle when we meet in Toronto.

Mr. MacNEIL: Or Vancouver.

Mr. McGEER: I hope Vancouver.

Mr. HOMUTH: Cobourg.

The WITNESS: Can we charge a gate that night?

Mr. GOLDING: There is an idea.

Mr. MacNEIL: Is that a date?



The CHAIRMAN: From what I have heard, you can.

Mr. GOLDING: Get some campaign funds.

*By Mr. McGeer:*

Q. What I want to get back to, Col. Drew is this: This man Dewar is making a report for the Master General of the Ordnance, and he is making it to the Deputy Minister of National Defence, and he is saying:

If my interpretation of the situation is correct, the president of the John Inglis Company has created an interest which has resulted in war office indicating that, subject to certain conditions, assistance to the extent of an order for 5,000 guns might be given. I would like here to suggest the possibility that any hesitancy on our part might easily destroy all the interest which the company has created.

If, as you say now, the decision had been made by the Department of National Defence to give that contract to the John Inglis Company, tell me why Dewar would be writing that kind of a report to the deputy minister?—A. That is part of the mystery.

Q. That is part of the mystery; and if they knew that the decision had been made to give the contract to the John Inglis Company, then it was obviously part of the cloak of fraud?—A. Not at all; not at all.

Q. Very well.

Mr. BERCOVITCH: He does not like that.

Mr. McGEER: No, I know he does not like it.

*By Mr. McGeer:*

Q. I am going to put another proposition to you. You told us there had been terrible fraud committed against the British war office because they did not have any means of knowing this company was bankrupt.—A. Well, I started with the statement that this man had estimated his approximate net worth in the Inglis company at \$2,000,000 when there was \$500 paid.

Q. Let us deal with the notice of bankruptcy.—A. All right.

Q. One of your charges was that they had no notice of the bankruptcy and the liquidation of this John Inglis Company. You are satisfied on that score, are you?—A. I am satisfied that the situation as represented in the letters of May 7 and May 22, 1937, was a misrepresentation, a fraudulent misrepresentation of the actual situation.

Q. All right. The letter of Dun & Bradstreet filed with the Department of National Defence is part of the departmental records.

Mr. HOMUTH: What is the date?

The WITNESS: January, 1938, was it not?

Mr. McGEER: January 31, 1938; two months before the contract was signed.

The WITNESS: Oh, but the negotiations with the war office took place long before that.

*By Mr. McGeer:*

Q. Yes, but we are talking about the fraudulent inducement to sign a contract. That is your fraud, is it not—that the signing of the contract was induced by fraud?—A. Exactly, yes.

Q. And one of the frauds was that the liquidation proceedings and the bankruptcy of the John Inglis Company had not been disclosed to the war office before the contract was signed?—A. There is no evidence that it was.

Q. You say that it was not?—A. I say there is no evidence that it was. I have had no—

[Lieut.-Col. George A. Drew. K.C.]

Q. You have charged a man with fraud?—A. Certainly.

Q. On that ground?—A. It must not have been—now, be clear. I said that the statement in the letters of the 7th and 22nd of May was fraudulent.

Q. All right.—A. It gave the appearance of a continuing company with earnings of \$22,000,000, with no suggestion of a break in the continuity and no suggestion it had gone into bankruptcy.

Q. All right. I want to read this part of the report of Dun & Bradstreet to you:—

Volume of business did not increase, and April, 1936, the Premier Trust Company, Toronto, were appointed interim receivers. Finally the bondholders took control of the fixed assets, while the bank took possession of the stock and accounts.

In the fall of 1936 the plant and assets were purchased from the bondholders by a new group headed by Major James E. Hahn and a charter was obtained under Ontario laws, as British Canadian Engineering, Limited, November, 1936, with authorized capital \$250,000, in shares of \$1; subsequently the par was changed to \$6. Since then the plant has been completely overhauled and a certain amount of work done for old customers.

In June of 1937 the charter was amended changing the name to the John Inglis Company Limited.

Now, as you well know, the original capital of the company was \$250,000 at \$1 a share, which indicated that the purchase price of the assets were \$250,000; you will agree with that, will not you?—A. No, not necessarily.

Q. I would not expect you would, but nevertheless it is a fact.—A. No it is not a fact and you know enough about company law to know perfectly well it is not a fact.

Q. Well, I do not know of any company of this kind that had ever a less capital value than the value of the assets of the company as they were purchased under circumstances such as these, and I am satisfied that you cannot find in the records of the companies' officials, even in Ontario.—A. I entirely agree with you, I know of no company with less actual capital value for the stock issued than this has.

Q. But that does not change the fact that this company, according to Dun & Bradstreet, that is, the British-Canadian Engineering Company Limited that purchased the John Inglis Company from the Premier Trust Company had a capital of \$250,000 to start with. And now I put it to you, if that report of Dun & Bradstreet's had been handed to the British War Ministry before the contract with the British War Ministry was signed would there have been any fraud for non-disclosure of the liquidation proceedings, as you indicated this afternoon?—A. I am not going to answer a hypothetical question. I told you before that that statement was not a complete statement of the affairs of the company.

Q. I am telling you— —A. I am not going to answer hypothetical questions, because there is no evidence that it was handed to the war office so far as I know.

Q. All right, I am going to call Major Hahn before this committee to prove that he handed the Dun & Bradstreet's report to Sir Harold Brown before the contract with the British government was signed.—A. That will be very interesting.

Q. Yes, it will be another proof of the fact that your conclusions are neither reliable nor truthful.—A. It will not be any proof of that at all. I have just read you the conclusions reached in June, 1937, that the Canadian government was going to deal with Hahn and the moment that they could get the British

government to agree to purchase 5,000 guns; and you know as well as I do that the British handed a contract to the man the Canadian government was recommending.

Q. You sat here this afternoon and accused this man of one of the most vicious types of deception, deception which you described as fraud. And you based it on the non-disclosure of the fact that this plant was closed down and in liquidation, and that the British War Ministry had not been advised of that fact, and I now tell you that what you stated in regard to that was false.—A. No, no, you are getting beyond all bounds when you state it is false. Call evidence.

Q. I will prove it.—A. The fraud continued, you know, after the contract was signed, Mr. McGeer.

Q. What?—A. The fraud continued after the contract was signed.

Q. Of course, it will continue as long as you live, in your mind, I suppose?—A. No, no; the fraud continued after the contract was signed, when they were selling stock, the same type of fraud as existed at that time.

Q. Now, another one of your grounds for submission was your assumption, falsely, and stated falsely, that the British— —A. Are you giving evidence?

Q. I am just giving you what I think.

Mr. GREEN: He is making speeches.

The WITNESS: Yes.

*By Mr. McGeer:*

Q. I think when a man comes out and makes charges of fraud and accuses other people to the extent that you have, you cannot be very tender when somebody puts it plainly up to you?—A. I am not tender when you say it, because you are too well known that way. What I am asking is, was there any evidence produced; and I think it is very improper of you to make that statement when you have not proved it.

Q. All right. One of your statements in your article suggests that there was no representative of the Canadian government in England looking after Canadian government interest when Hahn was negotiating.

Mr. HOMUTH: Read the paragraph.

Mr. McGEER: I would draw your attention to exhibit No. 224, which is a report—

The WITNESS: Now, is this where I say that there was no one in England?

Mr. McGEER: Have you stated there was no one in England?

The WITNESS: You read the place where I have stated that.

*By Mr. McGeer:*

Q. Have you suggested that in your article?—A. No.

Mr. GREEN: Read it in the article. What does it say there?

*By Mr. McGeer:*

Q. Do you say that you did not state it in your article.—A. You are examining me on the article.

Mr. McGEER: I see, I am examining you on the article.

The WITNESS: I did not say what.

Mr. McGEER: That we did not have a representative of the Canadian government in England looking after the interest of the Canadian government in respect to those contracts.

The WITNESS: Find that in the article.

Mr. McGEER: Do you say that you didn't put it into the article; do you say that you did not suggest it in the article?

[Lieut.-Col. George A. Drew. K.C.]



The WITNESS: I ask what Hahn's status was in England.

Mr. McGEER: Well, do you agree now that we had a representative in England?

The WITNESS: There is Canada House with quite a staff there, yes.

Mr. McGEER: But, looking particularly at the interests of this—for instance your question 17 is one of those thought-provoking suspicion developers.

The WITNESS: It sounds like a hair tonic.

Mr. McGEER: You will need more than a hair tonic.

But, "a representative of the Canadian government in the negotiations with the British government"; what did you ask that question for?

The WITNESS: Because I wanted to know.

*By Mr. McGeer:*

Q. Do you say there was nobody?—A. I wanted to know at that time. Anyone under the impression left—as a matter of fact the impression was that Major Hahn had gone over to England and had got a contract from the British without the strenuous assistance of the Canadian government. The fact was that was not so.

Q. Well, you state in your article, here is the editor's note:—

The following article went to press on August 9. The author's statements are based on departmental records as of August 5th.

A. I will repeat again as I have before that the departmental records are clearly pointed out in the article as the departmental records of the companies branch of the province of Ontario dealing with the inequalities of the stock set-up of this company.

Q. The editor's note does not say that, the editor's note says, "statements based on departmental records."—A. The editor's note is not my writing.

Q. Well then, the editor's note if it only refers to your statements that were based on departmental records of the government of Ontario is absolutely false, because you have made the statement that your statements were based on the records of the Department of National Defence.—A. There is not a statement there that was based on the records of the Department of National Defence; because you know, and you know that I know that you know, that I had no access to the records of the Department of National Defence.

Q. What about exhibit 281?—A. What is that?

Q. That is where you suggested that Major Ashton reported that there was not sufficient Ross rifle equipment to build all the Canadian and British guns as provided for under the contract?—A. That is a record that was introduced as an exhibit at the inquiry.

Q. Yes?—A. Which confirmed the accuracy of my statement.

Q. But it was a departmental record?—A. Certainly it was a departmental record; if it happens that it supports mine, that is all right.

Q. I do not care how we find out that these articles are true or false.—A. That is proof it was true.

Q. Yes, but it also proves that this statement, or at least your statement proving that the editor's note at the heading of this article, is false.—A. It is doing nothing of the kind. Let me make it quite clear that the body of the article is mine; the green ink, about which you apparently complain, is not; the head-note is not; the pictures are not; the words in the body of the article are what I wrote and handed to the press, and as a contributor to *Maclean's* you know they do not consult you—

Q. The charge that the deputy minister made was not that you were a liar or that *Maclean's* was a liar but that you were both liars together, and

that you were both lying for the same purpose. Now, you ask a question in your article which in the light of all the preceding material could have been asked for only one purpose. The question is this: "Who represented the Canadian government in the negotiations with the British government?"—A. Is any question asked in regard to information about the Department of National Defence in some way a question that should not be asked?

Mr. FACTOR: It creates suspicion.

The WITNESS: That question asks something which was not then known but was later known. The man that represented the Canadian government in November, 1936, was Major Hahn, the would-be contractor who ultimately got the contract.

*By Mr. McGeer:*

Q. This is dated the 10th of February, 1938, and is signed by Colonel Loggie, representing the High Commissioner's office.

Mr. GREEN: What exhibit is that?

Mr. McGEER: Exhibit 224.

The WITNESS: What is signed by Colonel Loggie?

*By Mr. McGeer:*

Q. This report which I am going to read you, and it is part of the departmental records on file here in Ottawa and was on file at the time you wrote your article.—A. You are wrong in that.

Q. Oh, no, I am not. You think because it was a report to the Secretary of the High Commissioner's office that it was not on file here?—A. Is that not the one that was introduced from the Canada House files?

Q. We had a copy of it here. It was forwarded—A. You are not giving evidence for the Department of National Defence. That was introduced from the Canada House files, if I am not mistaken.

Q. Let me read the report to you:—

1. On the afternoon 2nd February, 1938, Sir Harold Brown's secretary informed me that Major J. E. Hahn, president of John Inglis Co. Limited, was arriving in London that day. He (Hahn) had cabled en route asking for an appointment with Sir Harold and had been informed that same was arranged for 3rd February at 12 o'clock noon. I was further informed that Sir Harold asked that a government representative be present at the meeting. Accordingly cablegram No. 27 was dispatched to External Affairs and a reply was received authorizing a representative of the High Commissioner's office be present at the interview in a watching capacity.

2. Later in the afternoon of 2nd February I was called to Sir Harold Brown's office and was shown by him two cablegrams which had just been received from the Deputy Minister of National Defence.

3. One of the cablegrams requested information in connection with Enfield production costs on Bren guns. Sir Harold informed me that the data was being obtained and would be cabled without delay.

4. The other cablegram, a lengthy one, informed Sir Harold a difficulty had arisen in the present negotiations. It appears that the scheme and proposed revised contract, subject to minor details, having received approval of the Department of National Defence was recently presented to the interdepartmental committee on profit control. This committee, of which the Deputy Minister of National Defence is chairman, was created in the spring of 1937 and it is understood commenced to pass on armament profits in the fall of 1937. The message went on to say

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that on consideration the committee suggested that competitive tenders on a cost plus basis be secured for the manufacture of these guns. The reaction of the department to this suggestion was expressed in the cablegram in the following terms—

(i) That the revised proposed contract of the John Inglis company is satisfactory to the department.

(ii) That the technical officers of the department are satisfied the company can produce the guns.

(iii) That the Canadian supply of Bren guns is an urgent necessity.

(iv) That the suggestion of the committee would retard progress for at least six months inasmuch as competing firms would have to closely study Enfield production methods before being in a position to submit a reasonable tender.

(v) That the department has not considered any other Canadian company with a view to the manufacture of Bren guns and is anxious to have Major Hahn proceed to London immediately for final negotiations with the war office.

5. In his cabled reply, a rough draft of which was shown to me, Sir Harold emphasized the necessity of the immediate completion of a satisfactory agreement and mentioned the fact that a firm having carried out technical investigations obviously had the advantage, or words to that effect.

6. Sir Harold mentioned that should further delays occur a serious situation would arise in that the Enfield plant would be idle or nearly so, before a Canadian entered production. He felt that unless immediate action was taken by the Canadian authorities, the war office might be obliged to withdraw from participation in the scheme. I took occasion to ask him that in the event an auxiliary source of supply was established in Great Britain whether tenders would be invited or a suitable firm selected. He said, "We would select a firm."

7. (a) At the meeting referred to in paragraph 1 there were present, Engineer Vice-Admiral Sir Harold Brown, D.G.M.P.; Mr. H. C. Gordon, Director of Army contracts; Colonel G. P. Loggie, representing High Commissioner's office; Major J. E. Hahn, President John Inglis company.

Major Hahn produced drafts of separate agreements,

(i) Between the Canadian government and the John Inglis company for production of 7,000 Bren guns, and (ii) Between the British government and the John Inglis company for production of 5,000 Bren guns.

(b). Except that in (i) provision is made that all machinery, tools, dies, jigs and gauges will be provided and installed by the Canadian government together with certain preliminary compensations to the contractor, both draft agreements are identical.

(c) The agreement provided that the price of the Bren guns, spares and components will be,

(i) The sum of all costs incurred in connection with the manufacture and

(ii) Ten per cent of all such costs except,—

(a) sales tax,

(b) customs duty,

(c) royalties and licencing fees in connection with the use of patents and designs,



(d) interest on bank loans, with the provision that the amount under (ii) will not exceed a sum of \$37.50 per gun.

(NOTE). Under the term "costs" the contractor is to be paid ten per cent of the cost of tools, dies, jigs, fixtures, etc., produced by the firm.

(d) In regard to the provision of machinery, tools, dies and fixtures in fulfillment of these contracts, it is proposed that payment for same will be apportioned by the Canadian government paying 7/12 and the British government paying 5/12 of the total cost. It is further proposed that the property in the machinery, etc., will be vested in the Department of National Defence who will assume responsibility for maintenance when the equipment is not in use. If required by the war office for the manufacture of Bren guns in excess of 5,000 or other weapons, after fulfillment by the contractor of his contractual obligations (12,000 guns) the department will make available the equipment under mutual arrangements between it and the war office.

(e) A copy of the draft agreement affecting the war office, together with analysis of costs and other data were retained by Sir Harold Brown for technical examination and consideration.

(f) Sir Harold Brown requested confirmation as to the necessity of a separate contract as opposed to a direct order being placed with the Canadian government.

(g) In regard to the new developments referred to in paragraph 4 above, both Sir Harold Brown and Mr. Gordon expressed very definite opinions. Sir Harold strongly objected to the suggestion for the following reasons,—

(i) War office requirements are urgent. They have been pressing for action and expect Canadian co-operation resulting in the earliest possible deliveries.

(ii) Realizing the consequent delays a situation would develop in which their plant would be idle, or nearly so, before a Canadian plant entered production.

(iii) No useful purpose is apparent in a cost plus tender as in any case the element of total cost would be the controlling factor in awarding a contract.

Mr. Gordon stated it has always been war office practice in considering specialized equipment of this nature to select a reputable firm and evolve a fair contract. He expressed himself as being almost certain that due to delays consequent upon the suggested proposal the war office would withdraw from participation in the scheme.

(h) The meeting adjourned at 1.15 p.m. to reassemble at 3.30 p.m. on 4th February.

8. (a) At the meeting on the 4th February the following were present,—

Engineer Vice-Admiral Sir Harold Brown, D.G.M.P.,  
Sir Reginald Townsend, Director of Ord. Factories,  
Major-General Taylor, D.G.M.P. office,  
Mr. H. C. Gordon, Director of Army Contracts,  
Colonel G. P. Loggie, representing H.C.'s office,  
Major J. E. Hahn, President John Inglis Company.

(b) Sir Harold Brown read a further draft cablegram to the deputy minister of national defence, being in continuation of his cablegram of 2nd February, as follows,—

Average estimated cost per gun per 10,000 guns at British government factory is fourteen pounds for labour, five pounds for

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materials and sixteen pounds for factory on costs which includes normal depreciation. Total thirty-five pounds. This does not include royalty or first equipment jigs, gauges, etc. As regards alternative tenders several months would necessarily be required for another firm to study job before making reasonable tender. This delay would be fatal to British interest in scheme. Should be glad if you will confirm officially that a single contract under which Canada would supply guns on an agency basis would now be acceptable to you. Also confirm that you object to an incentive clause in your contract whether British contract contains one or not. Letter follows regarding British government share in the capital cost of the plant. Contract conditions under consideration.

(c) Discussion then followed and questions affecting details of the proposed contract were raised by the Director of Ordnance Factories and the Director of Army Contracts. Explanations were given by Major Hahn. The Director of Contracts was definitely of the opinion that an "incentive" clause should be inserted. He said he was somewhat confused by the phraseology of the draft and many points would have to be gone into carefully for a clearer understanding of the context.

(d) It was finally agreed that Major Hahn would meet representatives of the Contracts Branch on 7th February by which time it was hoped the draft would have been analysed. At this point Major Hahn withdrew.

(e) Mr. Gordon then said their present impressions were that the cost of the guns as compared with Enfield prices appeared excessive.

(f) Sir Harold Brown considered that, bearing in mind the ownership of the machinery, tools and fixtures, etc., is to be vested in the Department of National Defence, the apportionment of cost to the British government seemed greater than it should be. He was of the opinion that I should be in a position to act for the Department of National Defence. I could only say in reply that up to the present I had no instructions and until they were given I could only act as an intermediary.

(g) The meeting adjourned at 4.45 p.m. sine die.

9. Following the meeting on the 4th February Major Hahn had several interviews with the Director of Army Contracts and his advisors when the proposed draft agreement was examined in detail. An agreement was finally reached on the afternoon of the 9th February and I was asked to transmit the following cable to the Department of National Defence—

Following for Colonel LaFlèche from Sir Harold Brown. Draft of Bren contract with John Inglis Company now agreed in detail by war office and I do not anticipate difficulty when it is submitted by war office to higher authority which will be done forthwith. Amendments which have been agreed by Hahn are of a minor character only except amendment to clause 17 (b) to make compensation payable to company in event of British or Canadian government breaking the contract variable according to the stage of production when break is put into force. This amendment is in favour of the governments.

(signed) G. P. LOGGIE,

*Colonel,*

Representing High Commissioner's Office.

London,  
10th February, 1938.

And exhibit 225:

## CANADIAN PACIFIC TELEGRAPHS

London 5 1253P

Major General Caldwell  
Master General of Ordnance  
Department National Defence, Ottawa.

Re visit war office affecting gun I am of firm opinion that immediate action is essential and that any delay will jeopardize whole transaction.

LOGGIE.

Now, with a representative of the High Commissioner's office sitting in on these conferences that took place, advising the High Commissioner as the agent in London of the government, do you think we were not represented at these conferences—A. I did not say we were not represented.

Q. Why did you ask the question?—A. I wanted to find out, and I found out at the inquiry.

Q. Could there have been any reason, Colonel Drew, why you had to broadcast your message throughout the whole of the dominion of Canada? Don't you think if you had 'phoned down to General LaFlèche or to the minister, whom you knew very well, and said: Who is your representative over there who sat in for you? that he would have told you: well, I was over in London myself. He would have told you that General LaFlèche was in conference with the war office; he would have told you that Colonel Car was over there; he would have told you that the High Commissioner was always available and that they maintained on duty in London a liason officer, and that the man who sat in on those conferences was Colonel G. P. Loggie? Why did you have to broadcast that request for information throughout the whole of the dominion of Canada if you did not want to arouse the suspicion that for some reason Canada was not properly represented in London?—A. You may remember, Mr. McGeer, that prior to the time that article was written Mr. Woodsworth had asked in the house whether Major Hahn had been engaged to go to London to examine into munitions, or to England to examine into munitions on behalf of the Canadian government. He asked, I believe, over a period of four years. Perhaps someone—I think it stated 1935, 1936, 1937.

Q. Who asked this question?—A. Mr. Woodsworth.

Q. Asked what?—A. He asked in the house if Major Hahn had been sent to England to investigate matters in regard to munitions for Canada during—

Q. You think that was in 1935, 1936, 1937 and 1938?—A. Just a minute.

Mr. MACINNIS: 1937 and 1938.

The WITNESS: Compose yourself.

Mr. McGEER: Just keep quiet, Mr. MacInnis. We are testing this man's veracity.

Mr. MACINNIS: No, you are just testing his memory, which is a different thing. You are not running this show.

Mr. McGEER: Well, I am trying to. He said four years.

Mr. MACINNIS: Yes, he did.

Mr. McGEER: He can take care of himself; he would not come to your rescue.

Mr. MACINNIS: I am not coming to his rescue at all; I was trying to help out the committee, I am getting tired of sitting here listening to you.

Mr. McGEER: Never mind. Leave the witness.

The WITNESS: You raised a point which we will definitely mind.

Mr. HOMUTH: He is well able to take care of himself.

[Lieut.-Col. George A. Drew. K.C.]



Mr. BERCOVITCH: You and Mr. Brown help him.

Mr. BROWN: It is only a matter of detail.

*By Mr. McGeer:*

Q. I will help you out, Colonel. The question was very different from what you suggested. The question was: Was Major Hahn appointed as an agent of the government during the years 1936 and 1937.

Mr. MACINNIS: No, 1937 to 1938.

Mr. McGEER: I have not got my Hansard here.

The WITNESS: These are the exact words. On June 22 Mr. Mackenzie replied to a question asked by Mr. Woodsworth. The question was—

*By Mr. Golding:*

Q. What year?—A. 1938. "Was Major James Hahn appointed by the Canadian government to go to England in 1937 and 1938 to make a survey of munitions production for the purpose of advising the Canadian government?" The answer was "No." Yes, I knew that Major Hahn had been over there at that time and that he had been doing certain things of that kind. I must admit I was amazed and I frankly do not think the answer given was a correct answer.

Q. As a matter of fact the statement of the minister given before this committee was to the effect that Major Hahn never was appointed by the Canadian government in England.—A. He put a pretty good bill in.

Q. No, he did not do that.—A. He put in a bill for \$7,000 for his trip in 1937—\$7,100 and some odd dollars.

Mr. HOMUTH: Fifty dollars a day expenses.

*By Mr. McGeer:*

Q. So you decided because of this answer that you could not rely on a telephone call to the minister to get any information from him, is that correct?—A. I knew perfectly well from the answer he gave he was not desirous of informing the house as to the facts.

Q. Well, you know we have some rules in the House of Commons, and one of the rules is that if a minister or a member of the house makes a statement to the effect that he had no intention of misleading and that he was anxious to disclose all the pertinent facts that that statement is accepted by the House of Commons?—A. I am quite aware of the rule.

Q. Now, the Hon. Ian Mackenzie has made that statement in the House of Commons and here, and has assured every one in this committee that there was no desire on his part to conceal any fact in connection with this matter, and that he had stated in the House of Commons that he would welcome a complete investigation into the contract long before your article was written, and that the house had the article tabled and that it was available, and all this information— —A. No, the contract was tabled under pressure just before the house closed.

Mr. HOMUTH: The last day.

The WITNESS: The second last day.

Mr. McGEER: Of the session of 1938; yes, but not under pressure.

The WITNESS: You will find frequent requests for the production of that.

*By Mr. McGeer:*

Q. How many requests, and from whom?—A. I will be very pleased to check over Hansard, and I think I am correct in the statement there were requests made on several occasions, and it was produced.

Mr. HOMUTH: Do you think it might be well to put on the record the fact of the tabling of this report mentioned in Hansard—the contract?

Mr. McGEER: In Hansard of 1938?

Mr. HOMUTH: Yes.

Mr. McGEER: Your memory is as bad as the colonel's.

Mr. HOMUTH: If it is, why not look it up?

*By Mr. McGeer:*

Q. You were very friendly with the Hon. Ian Mackenzie at that time?—

A. I have explained elsewhere that as far as Hon. Ian Mackenzie and I are concerned we have known each other quite a while, that the Hon. Ian Mackenzie and I had known each other well for some time; that prior to this time we had worked very close together in a great many things. I point out again that he was present at a meeting of the conference of defence associations on November 13, 1937, or rather 1936, when the representatives of all the militia forces in Canada expressed their demand for an arsenal—for a munitions board rather—and discussed the question of the manufacture of arms, and there was no indication that the government had committed itself to a plan of manufacture although two days before that Hahn had got to the war office. Then last year, the artillery association, one of the largest and oldest associations amongst the militia organizations, passed the same resolution, and he was present at that and gave the usual assurance of attending to the resolutions. I was in his suite later in the day. We discussed matters generally. He commented upon the good work I was doing in stirring up public interest and a demand for greater armament. We discussed quite a number of matters, and still no suggestion that Canada was then committed to any other course than that which the militia officers understood and which had been explained to us by the general staff of the creation of an arsenal. When I found this course had been adopted, I lost my confidence in Mr. Mackenzie, and disclosed the facts.

Q. Now, as I say you were friendly with the minister. You have never found any lack of willingness to co-operate with you on his part in advancing and improving the militia and the defence forces of Canada, have you?—

A. Until that time; but the minute I found that they had been negotiating for a private contract of this type and discussing an entirely different method of production, I certainly felt there had been a complete lack of disclosure by the Hon. Ian Mackenzie, and to a great extent he had completely misled all the militia in Canada who had been represented there.

Q. Now, your only reason then for not phoning Ian Mackenzie and asking him who was the agent or the representative of Canada during these negotiations was because of the answer that you read in Hansard that he had given to Mr. Woodsworth's question?—A. No, no, not at all. That was one of the reasons, but combined with that was the fact that then there was produced this contract using the arrangement for private manufacture under a stock set-up of the most vicious kind—the very kind of thing that all the people of this country and every other country have been objecting to where the money of the poor is going to go to buy arms that are going to create and produce for the promoters of the company—

Q. Why didn't you phone the prime minister and tell him about these iniquitous conditions?

Mr. HOMUTH: What good would that have done?

The WITNESS: I would have still been waiting for a reply.

[Lieut.-Col. George A. Drew, K.C.]

*By Mr. McGeer:*

Q. Why did you not write a letter to the war ministry in London and tell them about the deplorable conditions before they had been trapped into it?—

A. My duty is to the Canadians, not to the other side.

Q. There is another reason, is there not? You were getting \$200 for an article to broadcast this stuff for a spectacular propaganda article of *Maclean's* magazine against the government?—A. That is a very cheap statement on your part.

Q. It was a very cheap price for that article.—A. I am glad you know—I repeat again that your motives are not under suspicion here because you are paid at a very much higher rate than I for appearing here, as a member of parliament. I am not impugning your motives and it is contemptible of you to impugn somebody else's motives because they receive a normal fee for an article.

The CHAIRMAN: Excuse me, Mr. McGeer, as chairman of this committee I would ask the witness to kindly clarify his last statement. I want to clearly convey and define as to whether the witness was referring to the sessional indemnity of the hon. member referred to or whether his phraseology comprised enough to embrace a larger scope or intent?

The WITNESS: I was referring, of course, to his sessional indemnity as I made perfectly clear.

Mr. HOMUTH: And I think it was perfectly right. I think some members of this committee have a right to protest against the cheap police court method used by the interrogator in this investigation.

The CHAIRMAN: May I say to my hon. friend who has just taken his seat that the question I asked the witness—

Mr. HOMUTH: Was perfectly right.

The CHAIRMAN: —was in the interest of each and every member of this committee.

Mr. HOMUTH: I am not objecting to that, Mr. Chairman. I am objecting to what Mr. McGeer said to the witness, which I think was grossly unfair.

Mr. SLAGHT: Let me suggest that the member who last spoke was never in a police court in the capacity of interpreter.

Mr. HOMUTH: Nor in any other capacity either; and neither did I get any fees for being in a police court.

Mr. McGEER: Well, Mr. Chairman, I could deal with that, but I should like to get through with this matter.

*By Mr. McGeer:*

Q. What I want to know from you, Colonel Drew, is this: Have you any other reasons than those you have given to me to-night for not going to a responsible representative of the government of Canada or of the British war ministry with your information before you broadcast it in an article that was designed to bring both the officials of the Department of National Defence of Canada and the contracting company, the John Inglis Company, under suspicion of fraud? Are there any other reasons?—A. There was no reason and no obligation.

Q. No obligation; you are sure about the obligation?—A. Quite.

Q. You tell us that you are solely concerned about the security of the defences of the nation?—A. I have told you that I was particularly close to the situation at that time; and I and a lot of others had been spending a good deal of time in trying to further this question of the production of arms in Canada; and the purpose of those officers who met in 1936 and demanded immediate production was to get arms for the forces of Canada. When this contract appeared, it was perfectly plain that instead of getting arms in an



arsenal as had been intended and as had been explained to us in the presence of Hon. Ian Mackenzie, they had sold out to a private contractor for profit.

Q. We had another matter that was dealt with by the commission, and that was the report of the departmental committee to the Governor-in-Council. We have dealt with that fairly fully before this committee, and I may draw your attention to the evidence of Mr. Fraser Elliott at page 339 which reads:—

Q. Yes, and at the completion of your final meetings, as among the members of the interdepartmental committee, including the chairman who was the Deputy Minister of National Defence, there was unanimity of opinion, was there not?—A. Oh, yes.

Q. And there was really nothing to report?—A. There was not, other than the approved contract itself.

Q. There was nothing to report in so far as any member of the interdepartmental committee was concerned, other than the routine report which was made by the chairman to the department and then through the head of that department to the Governor in Council?—A. That is right.

Q. Under this system—and I speak of the system which involved the advisory assistance of the interdepartmental committee—the normal procedure of reporting to the Governor in Council was carried out; is that correct?—A. That is correct; particularly in the light of the report which we have just read.

I examined Mr. Fraser Elliott on that report and I put to him the question as to whether the report was complete or otherwise. At page 338 he says:—

I cannot think of anything at the moment that is left out, but out of an abundance of caution I go no further than to say it is reasonably complete, and I think it is very well done.

Then he goes on later to say:—

And as to the resume of the activities of the committee, it is reasonably good; and as to the resume of the terms of the contract, I think different members know enough to join me in saying that also is reasonably complete.

That report which was made by the chairman of the interdepartmental committee to the minister, which the minister informed us he received from not merely the deputy minister but from the deputy minister and the chairman of the committee, included this statement—

Mr. HOMUTH: May I just interrupt there, Mr. Chairman? I think it was made abundantly clear in the evidence that the report as drawn up and as presented to the minister and then on to the Cabinet, was not passed on by the departmental committee.

Mr. McGEER: That is why I examined Mr. Elliott, to ascertain whether anything had been left out, or whether anything had been put in that was not there; and he said that it was a good report and complete. Here is one of the statements in it:—

When the matter was first considered, it was not then believed that there would be long delay in receiving favourable or at least definite advice regarding the placing of an order by the government of the United Kingdom, the advisability of having the guns produced in a dominion arsenal, by private industry following invitations to tender, or by a selected manufacturer who would produce the guns under the close financial and technical supervision of the Department of National Defence, on a cost plus basis, was carefully considered. The latter method was

[Lieut.-Col. George A. Drew. K.C.]

chosen as the one which would bring quickest results, would be the most economical, would most easily permit of termination of activity, and would be one which would commend itself to the war office.

Now the statement there was just exactly a review of what happened. They wanted to call for tender—

Mr. GREEN: What is that you are quoting from, Mr. McGeer?

Mr. McGEER: Exhibit 244.

Mr. GREEN: What page in that?

Mr. McGEER: On page 2. Continuing:—

It is the practice in England to select the contractor when, as in the case of the Bren gun and many other articles required for defence purposes, to have the contractor proceed on a cost plus basis. This, when it is not possible to say what a fair and reasonable firm price is. This procedure permits sound planning against an emergency of war. In the case now under discussion, the president of Messrs. John Inglis Company Limited, Toronto, Ontario, James E. Hahn (Major, D.S.O., M.C., Canadian Expeditionary Force) called at the war office in October or November, 1936, and undoubtedly created a most favourable impression there and with the technical officers of the Enfield Plant, with the result that of a number of Canadians who have displayed an interest in armaments, Major Hahn is one of the few who has proven satisfactory to the war office if an offer of a contract is to be taken as the indication. The prospective contractors were equally acceptable to the department and their continued interest in the matter, despite delays vexatious to all concerned, was reassuring.

Mr. GREEN: Why do you stop there?

Mr. BERCOVITCH: Read the rest of it, Mr. McGeer.

Mr. McGEER: I beg your pardon?

Mr. BERCOVITCH: Mr. Green wants you to read the rest of it. He thinks you read so well.

Mr. McGEER: All right. Continuing:—

It may be added that Major Hahn has visited England several times and has acquired a great deal of extremely valuable information concerning the manufacture of the Bren gun. The departmental proposal was brought before the interdepartmental committee on the control of profits on government armament contracts and there given minute attention which has resulted in a draft agreement which would limit the financial returns to the company to an extent greater than the agreement which has been found acceptable by both the war office and the treasury people of the government of the United Kingdom.

The Department of National Defence has spared no effort to acquaint the members of the interdepartmental committee with all possible facts and information concerning the proposed agreement. The members of the committee, including a sub-committee, individually and collectively, have been extremely painstaking and cautious in their approach to the subject. Some members insisted that a cost plus contract be submitted to tender by selected Canadian firms. It being the expressed wish of a majority of the members, this was referred to the war office officials with the result that they nearly dropped the matter. It has been arranged through proper channels that the Department of National Defence Ordnance Office in London, as an observer, attend the discussions on this particular point. All reports were painfully to the effect that if such

action were taken it would mean the immediate and complete loss of interest on the part of the war office. Whatever the reasons for delay in arriving at a decision up to a short while ago, London evidently cannot or will not place an order in Canada unless it can do so immediately. All concerned in the department here, including myself; quite understand and agree with war office officials; the members of the interdepartmental committee who desired that the point be referred to London accepted the war office decision when the committee again took up the details of the proposed agreement.

Mr. GREEN: You might explain, I think, in fairness to Col. Drew that that particular part of the report of the deputy minister to the minister was not contained in the report of the minister to the cabinet; that is, the part dealing with the worry that there was in the interdepartmental committee.

Mr. McGEER: The evidence is that this was the report which the minister gave to cabinet.

Mr. GREEN: No, that was the report of the deputy to his minister.

Mr. McGEER: No, this is the report given to the minister. I examined him myself on it, and it was the report which he said was presented to council.

Mr. GREEN: Then you might in fairness to Col. Drew explain that the action taken by the Deputy Minister of National Defence to get this reply from the war office, that if the contract was not put through at once it would be dropped, and you will find that in exhibit 212, which contains the cable sent to the Deputy Minister of National Defence after he had sent the request of the interdepartmental committee for the war office opinion in regard to competitive tenders.

Mr. McGEER: Mr. Chairman, before this goes any further, I want a ruling from you. I examined the witness on this particular document; if you will recall, I examined him as to whether it was signed by the deputy minister as deputy minister and chairman of the interdepartmental committee, and whether or not it was presented to the cabinet, and the minister's evidence was that that report was signed by the deputy minister as deputy minister and chairman of the interdepartmental committee and was read in council.

Mr. GREEN: Now, Mr. Chairman, I think we will get along faster if we keep the record straight and I point out that Mr. McGeer has brought out not all the story with regard to this recommendation, or this report rather, from the deputy minister; and I would ask leave to read this cable to the war office which resulted in the war office saying that if there were competitive tenders called for it might result in the loss of the contract, that it might be disastrous for the contract. That is in evidence as exhibit 212. I think in fairness to Col. Drew before he is asked to make any statement in reply to Mr. McGeer that the facts should be placed before him.

The CHAIRMAN: In view of the fact that the statement being read by the hon. member is already in the evidence, and was given in evidence by the Hon. the Minister himself at the time he appeared before this committee my ruling would be that Mr. McGeer would have the right to continue and ask his question on it.

Mr. MACNEIL: Oh, let us have it.

Mr. GREEN: Dealing with this particular cable that I referred to, that was not dealt with by the minister because he wanted to get away, he was in a hurry; we did not have an opportunity to ask him about it. It was sent to the deputy minister and we did not take the opportunity of cross-examining him upon it because he wanted to get away. I think we should keep the record straight, and I think I should be allowed to read this one cablegram.

[Lieut.-Col. George A. Drew, K.C.]



The CHAIRMAN: May I appeal to my hon. friend this way; will he bear with me this time and permit the hon. member to go ahead with that part of the evidence already in the record and ask the witness questions; then he can read this wire.

Mr. GREEN: If I may read this cable as soon as Mr. McGeer finishes.

Mr. GOLDING: You make a statement and that statement is not going to go unchallenged; the minister stayed here until every member of the committee told him he was through with him.

Mr. HOMUTH: Now, I protest against that. You know, Mr. Chairman, and everyone else on the committee knows, that we were asked to cooperate in order to let the minister get away, and we did so.

Mr. GOLDING: That is right, that is all that we asked, but the minister made it perfectly clear that he did not want to go until everybody was satisfied.

Some hon. MEMBERS: Hear, hear.

Mr. HOMUTH: Not satisfied, contented.

Mr. GOLDING: Whatever you wish to call it.

Mr. GREEN: The arrangement was made with me. I was asked if we would just ask the deputy minister all the questions that we could rather than ask the minister so that he could get out to Vancouver that night; and we did that so he could go.

Mr. GOLDING: That is not fair to the minister. It is absolutely unfair.

The CHAIRMAN: If there is one thing that gets me rather in a dither at times it is the fact that the hon. members of the committee will not permit me the opportunity of simply concurring in their statements.

Mr. HOMUTH: We are very sorry; more than that, we are penitent.

The CHAIRMAN: I agree with the hon. members and with what the hon. member for South Waterloo says. I think you will find in the record the fact that the minister and the chairman asked the members of the committee for their consideration; my hon. friend is also correct that the minister asked at the time if there were any other questions, as the hon. member for South Waterloo said, he wanted everybody to be contented if not satisfied, or satisfied if not contented. I believe the record is clear on that point.

Mr. GOLDING: A statement like that is not fair to the minister, because the minister absolutely made the statement that he did not want to leave until every member of the committee was satisfied.

Mr. HOMUTH: You are worried about that old boiler plant.

Mr. GOLDING: Never mind about that, I just want to say this, Mr. Chairman, I have sat in this committee from the time it started until now, and I haven't missed much; and if I hadn't these boys would have put over a lot that they haven't been able to so far.

Some hon. MEMBERS: Hear, hear.

Mr. McGEER: I gave my friend a reference, and I said that it indicated that the minister had read that exhibit 244 to council; that reference dealing with the matter of the dispute about tenders.

Mr. GREEN: I said that that part is not contained in the minister's report to the cabinet. There are the exhibits.

Mr. McGEER: All right. That was very clearly and very definitely dealt with at page 659 where we deal with exhibit 244. The report says:

Mr. McGEER: There is the one that contains the matter of the dispute as to the question of tenders, and that is signed by the Deputy Minister of the Department of National Defence and also by him as chairman of the interdepartmental committee.

Mr. GREEN: He signs as both?

The WITNESS: Yes. Would you like to see the document?

Mr. GREEN: Just read the next two clauses.

Mr. BERCOVITCH: Go on. Let him read them himself.

Mr. GREEN: Now, you can't get away with that. Go to the questions about half way down the page where I ask the question.

Mr. McGEER: Yes:—

Q. Then you read both your formal reports to the cabinet and also the report from your deputy minister?—A. The formal report is always read by the presiding office of council, whoever it happens to be; it is not read by the minister at all. The explanation was given by myself to council.

Mr. FACTOR: Then, at the top of page 659.

Mr. McGEER: I have just read from the top of page 659.

Mr. FACTOR: There is an addition:—

I am also able to inform this committee that that report was by myself placed before the members of the government and I fully explained the whole situation to the members of the government before the contract was approved by order in council.

Mr. McGEER: There never was any question of doubt about that; I mean, it is as clear as anything can be.

Mr. GREEN: Then, if I may read this cable.

Mr. BERCOVITCH: Wait until we get through.

Mr. GREEN: I understand that I was to be allowed to read this cable.

The CHAIRMAN: What do you want to read?

Mr. GREEN: The cable, exhibit 212.

The CHAIRMAN: How long is it?

Mr. McGEER: It is on the record at least thirty times, but read it, by all means.

Mr. GREEN: You do not like it, I know.

The CHAIRMAN: Oh, gentlemen, do not argue about it.

Mr. GREEN: This is the cable which General LaFlèche sent to Sir Harold Brown after he had sent a formal cable outlining that the interdepartmental committee—

Mr. McGEER: I thought we were going to have the cable read, Mr. Chairman?

Mr. GREEN:

Reference message sent you earlier to-day it is deemed necessary to explain the position and considered opinions of Department National Defence in regard to proposed contract with John Inglis company for manufacture of Bren light machine guns Stop There is here an inter-departmental committee on the control of profits on government armament contracts, which is composed of representatives of departments of Finance, National Revenue, Labour, Trade and Commerce, and National Defence, with myself as chairman Stop This committee was created by order in council on March fifth 1937 Stop Department National Defence submits to committee proposals including cost-plus contracts when competition cannot be secured in the usual manner Stop National Defence subject to possible discussion minor details is satisfied with John Inglis company proposed contract Stop National Defence technical officers are satisfied

[Lieut.-Col. George A. Drew, K.C.]

that John Inglis company can produce Bren guns Stop National Defence opinions have been explained to interdepartmental committee and your table one nine nine four three dated November ninth nineteen thirty seven indicating war office readiness conclude negotiations for five thousand order with Inglis company was submitted to the company Stop National Defence has explained to the committee that it is extremely urgent to proceed immediately and has pointed out that much delay has already occurred Stop National Defence is definitely in favour of going ahead now but perhaps quite naturally representatives of other departments are not as much impressed by necessity of speeding up Canadian re-armaments as are National Defence personnel Stop National Defence wants the guns as quickly as they can be obtained and, for obvious strategic reasons want to be able to have the guns produced in Canada Stop Major Hahn, President of John Inglis company of Toronto took up with this department and with you question of orders for Bren guns long before interdepartmental committee was created Stop National Defence—

and I stress this—

National Defence has not investigated any other Canadian company with a view to manufacture Bren guns and is anxious to see Major Hahn proceed immediately London for final negotiation with you Stop National Defence realizes that approach to other companies would cause very considerable delay Stop Apart from all the other hazards attendant upon possible further delay National Defence does not believe it logical to delay in view of probable rising labour, machinery and material markets Stop United States armament program will undoubtedly be a factor within a few months Stop In fairness I have informed representatives other departments of the exact terms of this message.

Sincerely yours,

L. R. LAFLECHE,

Now, if that was not pushing Major Hahn into the war office, I do not know what it was.

Mr. FACTOR: Was that why you read the cable?

*By Mr. McGeer:*

Q. I want to put a question to you, Colonel Drew, just on this telegram.—A. On the telegram just read?

Q. On the telegram just read. Do you think that influenced the war office in sending their message to the Department of National Defence against their own good judgment?—A. I certainly think that it influenced the war department to send a message along the lines they did.

Q. Do you think if that message had not been sent any other message would have come?—A. I think it is altogether likely.

Q. What message do you think would have come?—A. I think that if the message had been to the effect that the committee here wanted to deal with another company, indicating that they were willing to deal with another company, that the war office would have complied, because, as I have said before, the judge indicated quite clearly in his report, with which I heartily concur, that they were prepared to comply with what Canada was recommending, they wanted another source of supply, and whatever form of contract Canada had recommended they would have followed through. And undoubtedly Canada was indicating they wanted to deal with Hahn; but as to pressure, apparent pressure of the war office at that time, it is perfectly clear that the time had



come when following their indication that they were prepared to proceed on November 9, 1937, undoubtedly the war office was in a position where they had to know whether they were going to go ahead with the Canadian contract or go ahead with the contract in England for further production, because, as you know, there was another plant set up.

You have read quite a good deal, Mr. McGeer, and I think that this is a very appropriate place to put in conjunction with that as clear a statement in regard to these things as can possibly be made. I refer to the judge's finding on page 38:—

It clearly results from the evidence that the department having introduced and sponsored Hahn to the war office and the war office having in November, 1937, (after a full year of pressure by the department upon it) expressed its readiness to negotiate with the Inglis company for the production of 5,000 guns, and the negotiations having proceeded to the point where on February 9, 1938 (Exhibit 218) a draft contract with the John Inglis company had been agreed in detail by the war office, the matter had been brought into such a posture that the department felt it was really not in a position to propose to the war office the consideration of another contractor. This appears to be the effect of the statements made by the deputy minister when the proposed contract was before the interdepartmental committee as well as of his testimony relating to the effect of the war office cable of November 9, 1937 (Exhibit 182).

Much stress was laid during the evidence and on argument upon what was termed the "pressure" from either the war office upon Canada or from Canada upon the war office, subsequent to the war office cable to Canada of November 9, 1937 (Exhibit 182). That pressure from Canada upon the war office during the period was continuous is in my view the proper inference from the facts directly proved in evidence. A single document may be taken here or there and, read by itself without the surrounding facts and circumstances, might leave a different conclusion, but the evidence and the surrounding facts must be taken as a whole if a fair and proper inference is to be drawn. In view of what has already been said, it is not necessary to dwell upon this controversy as to "pressure" subsequent to November 9, 1937. It is more important to recall that, as the deputy minister in effect testified, the matter of the choice of a contractor for "departmental guns" was from his point of view virtually concluded by the war office cable of November 9, 1937 (Exhibit 182). The proposed production of Bren guns in Canada having been before the war office almost continuously from Major Hahn's first visit in November, 1936, down to the end of January, 1938, the war office then very naturally expressed its anxiety that progress should be made and suggested that delay might be prejudicial.

Q. Suggested that delay might be prejudicial; they stated that delay would be fatal. That was the telegram from Sir Harold Brown.—A. I am reading the judge's words, and I agree with them.

Q. Do you suggest there is any evidence of fraud in them?—A. None whatever. Are you referring to the judge's words?

Q. No, I am referring to the matters dealt with by the judge in his findings.—A. The judge is referring to the pressure from the Department of National Defence, and I have already told you that the fraud was not there.

Q. Well, now, you have told us that the Department of National Defence had an abundance of opportunity to go to people that were capable of producing the Bren gun in Canada, who could have produced it better than the John Inglis Co. and under terms more favourable than the present contract

[Lieut.-Col. George A. Drew, K.C.]

contains, have you not?—A. I have told you that there were manufacturers in Canada with existing organizations, skilled in the manufacture of precision steel and they were the logical ones to consult in regard to the production of something which involved precision in the manufacture of steel.

Q. One of the things that you undertook to prove in supporting this *Maclean's* magazine article before the Davis commission was that the Department of National Defence had not gone to someone in Canada who was more competent to produce Bren guns than the John Inglis Co. under the leadership of J. E. Hahn.—A. You have evidently misconceived the function of the commission. The commission was inquiring into the contract, not into the article.

Q. I see.—A. I was not—

Q. But you wanted a finding that would prove the statements of the article and one of the suggestions in the article was that there were others better qualified than the Inglis Co. under the leadership of Hahn to produce this gun who were available to the department and the department had ignored them; is that right?—A. I wanted to prevent stock racketeering on armament plans.

Q. Then we will put it to you that there were other organizations who were able to produce the gun who would not have engaged in stock selling if their company had got the contract; is that right?—A. I have told you that my personal view was in favour of the government arsenal as recommended by the general staff, but if the decision had been reached to have these manufactured in a private plant, then I say the principal thing, and the proper thing, from the point of view of protecting the Canadian public in getting arms for the Canadian forces, was to go to men with proved organizations, proved ability in the production of fine precision steel things of this kind, and find out how it could best be done, then having found that out you then get them to go ahead by tender, or otherwise, namely, consultation with experts.

Q. And there was an abundance of men from whom advice could be secured?—A. Yes. As you know, the names of several companies of that type were mentioned in the interdepartmental committee, but they were told it was too late then.

Q. I want to know from you as the counsel for *Maclean's* magazine during the inquiry— —A. Just get that clear, Mr. McGeer, the counsel was Mr. Hellmuth.

Q. You were only counsel when Mr. Hellmuth left?—A. Mr. Hellmuth was counsel during the inquiry.

Q. For both of you?—A. No, for *Maclean's* magazine.

Q. You were counsel for yourself?—A. Appearing for myself at the request of the Prime Minister to assist the government counsel. At the time Mr. Hellmuth left, just shortly before the end of the inquiry, to go to the Privy Council, I continued on so there would be no break.

Q. You say you were there at the request of the Prime Minister to assist the government counsel?—A. Certainly.

Q. Where did you get— —A. Did not you know that?

Q. Where did you get that letter? I understood the government offered to provide you with counsel.—A. The government asked me to assist and also offered to pay counsel fees.

Q. To you?—A. To pay counsel fees if I wanted counsel to assist me.

Q. But you were not paid counsel fee by the government?—A. I never suggested that I was paid counsel fee by the government. I was asked to co-operate. I may say if I had not, most of this information would not have come out.

Q. You brought it out to help the government?—A. I got the most valuable source of information that was in the Canada House file.

Q. Why is it in these many inquiries you have not produced a single witness to support your views?—A. Because in the cross examination of the witnesses produced by the government counsel we were able to prove every fact we had stated.

Q. You got every bit of information from the records of the department that were on file when your article was written?—A. I have explained to you—to use words which may be offensive to you—to-day *ad nauseam*; if you read the context of the article you will see the department referred to was the department of the Ontario government where company records of these companies were on file.

Q. Well, now, I want to deal with another matter, and that is the question of the contract, as it indicates what it is, government ownership and private operation, and I refer you to this— —A. Mr. McGeer, do you suggest that this is not a private company?

Q. Positive.—A. You suggest it is not?

Q. This is a public company with a contract which involves an operation which is not properly described as private ownership operation, but as government ownership with private operation.—A. Would you be surprised to know it was described as a private company in the war office?

Q. Well, it is a private public corporation; nobody is questioning that.—A. That is the way it is described.

Q. What I am putting to you is, that contract provides for production under a system that is properly described as government ownership with private operation.

Mr. GREEN: That is your definition.

Mr. McGEER: It is not my definition, it is the definition of the Department of National Defence. It is in the exhibit. Here is what page 2 of the contract says:—

... should sell shares, stocks, bonds, debentures, notes or other like securities ...

When consent is given for the business. Now, as a matter of fact, you know the stock that has been sold by the company has been sold after it has been subscribed for moneys which have gone into the company. That is, of the 58,000 shares the sale of which was authorized by the Securities Commission, every dollar of the \$350,000 of that subscription was made by Hahn and his associates on the firm commitments, and every dollar of it went into, or is going into, the treasury of the company as it is paid according to the commitments, and you know that every dollar of stock that Cameron, Pointon and Merritt sold was stock that they had subscribed for and paid the company \$6 a share.—A. Yes, and it was being sold for \$7.50, their own stock.

(Mr. Taylor (*Norfolk*) replaced Chairman as Acting Chairman.)

Q. Under authority of the Ontario Securities Commission.—A. That is right.

Q. And at a time when a letter was on file in the Ontario Securities Commissioner's office stating that all the stock issued as vendors shares, with the exception of some 7,500 there being held not to be dealt with without the consent of the Securities Commission?—A. Yes; it was to be held until the company was completely financed. That was the condition.

Q. Very well. Let me ask you this. We are dealing with stock that has been sold.—A. As I pointed out to you this afternoon, that stock is held in such a way by the bank that it can be sold—

Q. That is your opinion.

Mr. BROOKS: That is what Major Hahn told us the other day.

[Lieut.-Col. George A. Drew, K.C.]



*By Mr. McGeer:*

Q. The point I am dealing with is the stock that has been sold. Would you say that if men subscribe for stock at \$6 a share and then resell it under an order of the Securities Commission, for \$7.50 a share—

Mr. HOMUTH: Now, Mr. Chairman, not under an order.

Mr. McGEER: Not under authority?

Mr. HOMUTH: With the consent.

Mr. McGEER: That is an order.

The WITNESS: No, it is not an order.

Mr. McGEER: An order authorizing the sale.

Mr. HOMUTH: That is simply a consent.

*By Mr. McGeer:*

Q. That does not matter.—A. It matters a great deal.

Q. It could not be sold without that consent?—A. It could ordinarily; in this case they made an application for permission to sell the stock to the Ontario Securities Commission, and evidently because of the unusual nature of the transaction, the Ontario Securities Commission offered to do something that has never been done before according to the evidence. They actually said, you may sell this at \$7.50 a share. That is not the ordinary practice of the Securities Commission office, to value the stock.

Q. To fix a value of stock after it has been issued by the company. This is the first time, I am told, in the history of the Ontario Securities Commissioner's experience that an order limiting—A. This is not an order.

Q. Or authority or consent limiting the price of resale of stock has ever been issued.—A. And I hope it will be the last.

Q. Let me put it to you this way: suppose the Canada Steel Car Company or any of those companies named in the report had secured this contract, do you suggest that anybody holding their stock could not have sold it at any price they wanted to?—A. These companies are already actually adequately financed, as you know, to carry on operations of this kind. This stock that was being sold was the stock of the company sold to the public for the purpose of financing this company so it could carry on operations.

Q. Well, we have the word of the Bank of Montréal that these men who subscribed for this stock were able to pay for it. Now the evidence is that every dollar of the stock, other than the vendors shares—that is, the 58,000 shares—were issued on firm commitments to Hahn and his associates to pay the amount of cash that these shares represented at \$6 a share, \$350,000.—A. That stock, as a matter of fact, was issued to a company known as the Anglo Engineering Company Limited and then in turn 25,000 of those were issued on their instructions direct to Cameron, Pointon & Merritt. That is the way it was handled. They were not issued to Hahn or Plaxton and the brokers—the 25,000 were to the brokers. I am pretty intimate with the details. Then these men took the contract over and undertook to finance on the basis of those shares and those are the shares which were being sold to the public for the purpose of financing, and it is from those shares that the financing has been done, and I am not questioning the fact that all of the money—the \$6 a share that was subscribed—went to the treasury of the company. That was the 23.4 per cent of the whole stock of the company that had to carry the load of financing.

Q. In exhibit 369 which was on file in the Ontario departmental records at the time you wrote your article this basis of that authorization was presented—this is a statement from the Plaxton letter to R. B. Whitehead, Esq., K.C., Ontario Securities Commissioner:—

After provision for the five incorporator's shares this leaves 58,333 shares which have been firmly and unconditionally subscribed by the

present shareholders, fully paid, to net the treasury \$6 per share. Approximately \$160,000 has been paid on the purchase of 25,000 shares forming part of the above block of 58,333 shares, leaving a balance of \$190,000. Messrs. Cameron, Pointon & Merritt and Major James E. Hahn are committed to complete the purchase of the entire block of 58,333 shares of John Inglis Co. Limited as above mentioned. No commission on scale of treasury shares of the company has been paid or agreed to be paid to any person, firm or company.

Mr. BROOKS: That is 191,000 shares for which they have not paid a dollar. They paid for the 58,000 shares of treasury stock, and not one dollar for the 191,000. Major Hahn stated that the other day in evidence.

Mr. McGEER: Let me put all the facts on the record:—

The letters patent incorporating John Inglis Co. Limited as an Ontario company were issued the 23rd day of November, 1936. The capital stock of the company consists of 250,000 shares of the par value of \$6 each. In connection with the purchase of the Inglis buildings and property, there has been issued 191,662 shares of John Inglis Co. Limited, of the par value of \$6 each, fully paid and non-assessable.

Mr. BROOKS: That is not correct.

Mr. McGEER: "The company has completely—"

Mr. BROOKS: They have already paid for 58,000 shares according to Major Hahn's own evidence.

Mr. McGEER: Mr. Chairman, when I am putting a letter on the record surely I should not be interrupted.

Mr. BROOKS: I am quoting from Major Hahn's evidence—not one dollar has been paid for those shares.

Mr. McGEER: I am dealing with the record on the departmental files in the Ontario department before this article was written, and I have suggested that I should not be interrupted when I am reading a letter.

The Acting CHAIRMAN: Order, please.

Mr. GREEN: Mr. Chairman, we had an understanding all the way through that when points like this come up they can be explained as we go along.

Mr. McGEER: No, no.

Mr. GREEN: When Mr. McGeer paints one-half of the picture only we must have the right to get the whole story on the record. If we were putting something on that is accurate that is different, but if he is allowed to read that in without having it explained, it gives an entirely false opinion to the listeners and on the record.

The Acting CHAIRMAN: Of course, I am in the hands of the committee, but I do believe that if the member would note these corrections, and would bring them up after Mr. McGeer has finished we will get farther ahead.

Mr. BROOKS: I request that permission.

The Acting CHAIRMAN: That is all right as far as I am concerned.

Mr. McGEER: Now, Mr. Chairman, I would like to put the letter on the record again. I am reading from a letter dated June 8th, 1938, to R. B. Whitehead, Esq., K.C., Ontario Securities Commissioner, Parliament Buildings, Toronto, Ontario:—

The Letters Patent incorporating John Inglis Co. Limited as an Ontario company were issued the 23rd day of November, 1936. The capital stock of the company consists of 250,000 shares of the par value of \$6.00 each.

[Lieut.-Col. George A. Drew. K.C.]

In connection with the purchase of the Inglis buildings and property, there has been issued 191,662 shares of John Inglis Co. Limited, of the par value of \$6.00 each, fully paid and non-assessable.

The company has completely purchased and is the registered owner of the freehold lands and premises formerly owned by The John Inglis Company Limited (1922 Dominion Company), subject only to a First Mortgage and Deed of Trust dated the 1st day of April, 1938, made by John Inglis Co. Limited to and in favour of The Toronto General Trust Corporation as Trustee, securing repayment of \$150,000.00 principal amount of the company's 6 per cent bonds. The bonds are required to be paid at the rate of \$30,000.00 per year, and are to be retired at the end of five years.

The freehold lands and buildings of the company are located on the south four acres owned by the company, and the buildings (located on leasehold lands) in which the company is interested, occupy approximately four acres and the lands are leased from the Canadian National Railways. The buildings and plant of the company are completely equipped to carry out the manufacture of special precision steel equipment and general steel and plate structures, boilers, tanks, boats and other sanitary products and machinery.

After provision for the five incorporator's shares, this leaves 58,333 shares which have been firmly and unconditionally subscribed by the present shareholders, fully paid, to net the treasury \$6.00 per share. Approximately \$160,000 has been paid on the purchase of 25,000 shares forming part of the above block of 58,333 shares, leaving a balance of \$190,000.00. Messrs. Cameron, Pointon & Merritt and Major James E. Hahn are committed to complete the purchase of the entire block of 58,333 shares of John Inglis Co. Limited as above mentioned. No commission on sale of treasury shares of the company has been paid or agreed to be paid to any person, firm or company.

The company is adequately financed, and has sufficient working capital to carry on its operations, which were commenced in the spring of this year. The company is carrying on the regular established lines of business formerly carried on by The John Inglis Company Limited, which averaged over \$1,000,000 for over twenty-five years, until recently reorganized and purchased by the New John Inglis Co. Limited.

Because of the identity of Messrs. Cameron, Pointon & Merritt and of their being employed to dispose of some part of the commitment, it is considered advisable that approval should be obtained from the Ontario Securities Commission approving the sale of shares of John Inglis Co. Limited by the shareholders thereof through Messrs. Cameron, Pointon & Merritt.

We are requested to furnish the information referred to or contained in the following:—

1. Copy of prospectus, as required to be filed under the Companies Information Act.

2. Interim Financial Statement of the company as at the 30th day of April, 1938.

Now, the reply to that letter is at June 29, and is as follows:—

Permission is hereby granted to the sale by Cameron, Pointon and Merritt of 33,333 shares of the stock of the above-named company at a price to the public of not more than \$7.50.

May we please have an undertaking on behalf of the company, signed by any two directors thereof, to file within seven days of execution any further options or underwritings which may be entered into by the company.



We shall require also an undertaking, signed on behalf of the company of any two directors thereof and by the Optionee, to notify the commission immediately of any default, proposed extension, termination, or other material change in such agreement.

Mr. GREEN: You did not finish reading that first letter, the third page.

Mr. McGEER: There is some more information:—

3. Copy of agreement of purchase dated June 1, 1937, between S. Nurse and John Inglis Co. Limited.
4. Copy of subscription agreement dated the 26th November, 1937, between Anglo Engineering Company Limited and John Inglis Co. Limited, and, as appended thereto, the several firm subscriptions of James E. Hahn and Messrs. Cameron, Pointon & Merrit, as to purchase of 58,333 shares of John Inglis Co. Limited, at the price of \$6.00 per share.
5. Copy of letter dated 15th day of October, 1929, from Canadian Appraisal Company Limited to the John Inglis Company Limited (1922 Dominion company) as to replacement and the depreciated value of the buildings, machinery and equipment of the John Inglis Company Limited.

We would appreciate your attentive consideration of this matter, and if approved, a letter addressed to Messrs. Cameron, Pointon & Merritt, as to sale of shares of John Inglis Co. Limited.

The reply to that letter was June 29, 1938, addressed to Messrs. Plaxton & Company and signed by W. A. Brant, registrar, Ontario Securities Commission, reads as follows:—

Permission is hereby granted to the sale by Cameron, Pointon & Merritt of thirty-three thousand three hundred and thirty-three shares of the stock of the above-named company at a price to the public of not more than \$7.50.

May we please have an undertaking on behalf of the company, signed by any two directors thereof, to file within seven days of execution any further options or underwritings which may be entered into by the company.

We shall require also an undertaking signed on behalf of the company by any two directors thereof and by the Optionee, to notify the commission immediately of any default, proposed extension, termination, or other material change in such agreement.

The letter from the Bank of Montreal to the Ontario Securities Commission is dated June 24, exhibit 314.

Mr. GOLDING: What year?

Mr. McGEER: June 24, 1938, the same year. It reads as follows:—

We acknowledge that we are holding 184,162 shares of John Inglis Co. Limited, forming part of the vendor stock of this company.

These shares are to be held by us subject only to release, transfer, hypothecation, assignment or other alienation on the written consent of the Ontario Securities Commission.

Yours very truly,

Manager, H. F. SKEY.

Mr. GREEN: You have left out one letter from Plaxton and Company to Mr. Whitehead, dated June 16, 1938. You read a letter from the Ontario Securities Commission dated June 29.

Mr. McGEER: Of June 16th? I will read it. It is exhibit 369. It is addressed to R. B. Whitehead, Esquire, K.C., Ontario Securities Commissioner, Parliament Buildings, Toronto, Ontario, and reads:—

Dear SIR,—Referring to our conversation of this morning, there are already taken up and paid for under firm commitment of Messrs. Cameron, Pointon & Merritt and Major James E. Hahn 25,000 shares of John Inglis Co. Limited at \$6.00 per share, leaving a balance of 33,333 shares under firm commitment to be taken up at \$6.00 per share.

It is with respect to commitment shares only that Messrs. Cameron Pointon & Merritt wish to be qualified and we are authorized to undertake that pending the complete financing of the company that the commitment shares only will be distributed. In other words, Cameron Pointon & Merritt with approval for the sale of the treasury shares of John Inglis Co. Limited as taken up by that firm and Major Hahn.

We are authorized further to undertake that this issue, as qualified, will be sold at not more than \$7.50 per share.

Cameron, Pointon & Merritt and Major Hahn represent the block of 191,662 vendor shares. Independently of Cameron, Pointon & Merritt and Major Hahn, a portion of these shares (7,500 shares) are under pledge. It has been agreed by all interested parties, and we are authorized to undertake, that pending the complete financing of the company none of the vendor shares will be otherwise disposed of or sold. In this connection, we understand from Major Hahn and Cameron Pointon & Merritt that their holdings of vendor shares are regarded as a permanent investment.

It is the intention of Major Hahn to retain all his vendor shares as well as a portion of his commitment shares in order that he will have actual voting control of the company.

With respect to the present machinery cost, the company has communicated with Payne & Whitney of Hartford, Connecticut, one of the outstanding firms in the business. They have advised that the present cost of replacing machinery is at least 15 per cent in advance of the year 1929.

As requested by you, we enclose herewith copy of agreement between the Toronto General Trusts Corporation, Premier Trust Company and S. Nurse.

We await your advice in the matter:—

*By Mr. McGeer:*

Q. Now, Col. Drew, this information was all on file and available to you in the Securities Commission office. Why was it necessary to suggest, as you did suggest in your article, that there was something— —A. That it was possible, you mean, to sell this stock at a large profit?

Q. No. That was not the suggestion you made. Your suggestion was very different from that.

Mr. GREEN: Would you read what you refer to in the article, Mr. McGeer?

Mr. McGEER: It is rather well done, as a matter of fact.

Mr. BROWN: That book is getting worn out.

Mr. McGEER: It is not much worse than the fellow who is handling it at that.

Mr. MACNEIL: He will recuperate, but the article will not.

*By McGeer:*

Q. We have at page 32 "So much for the contract itself." It starts there and then it goes over into column 3 where we find:—

The property of the bankrupt boiler company in which the guns were to be manufactured was not bought by the present John Inglis Company Limited direct from the receiver of the estate of the defunct John Inglis Company. Some arrangement was made whereby Stanly Nurse, the office manager of the Toronto stock brokerage firm of Cameron Pointon & Merritt acquired the property from the receiver,—

He acquired it by agreement, did he not?—A. You know, he was simply the go-between so that they could water this stock to the extent of 191,662 shares.

Q. No.—A. Oh, yes, he was.

Q. He was business manager of Cameron, Pointon & Merritt.—A. It was an ingenious device to give an apparent value to 191,662 shares which did not exist.

Q. But there is no suggestion that those shares were issued for other than the assets of the old John English Company.—A. They were not issued for the assets of the old John English Company. You apparently have not understood the device they worked. It was very clever.

Mr. BROOKS: \$250,000 was paid for the assets.

The WITNESS: The assets were fully paid for by \$100,000 cash and the assumption of a mortgage of \$150,000. That was the way the assets were paid for in toto.

Mr. GREEN: And the mortgage was not assumed by Hahn but by the Inglis company.

The WITNESS: The Inglis company.

Mr. McGEER: May I read this:—

The Letters Patent incorporating John Inglis Co. Limited as an Ontario company were issued the 23rd day of November, 1936. The capital stock of the company consists of 250,000 shares of the par value of \$6 each. In connection with the purchase of the Inglis buildings and property, there has been issued 191,662 shares of John Inglis Co. Limited, of the par value of \$6 each, fully paid and non-assessable.

*By Mr. McGeer:*

Q. There was to be issued 191,662 shares of John Inglis Company Limited stock at a par value of \$6 a share fully paid up and non-assessable—A. You know why it was done.

Q. Yes, and it is stated here that that stock was issued for the purchase of the assets of the old company?—A. It was issued to a man who under sworn evidence given at the inquiry was a representative of these promoters themselves.

Q. And that was fully put before the commissioner?—A. No, it was not, not a word of it.

Q. Not before the Honourable Mr. Henry Hague Davis?—A. No, no; I thought you meant the Securities Commissioner of Ontario. It was fully put before Mr. Commissioner Davis, yes.

Q. And here it is put before the Securities Commissioner; that 191,662 shares of the above stock have been issued for the assets of the old company.—A. If you want me to I will explain to you the way it was done.

Q. Yes, but my question was, he was the obvious nominee?—A. He was a dummy representing the promoters.

[Lieut.-Col. George A. Drew, K.C.]



Q. Not a dummy at all, a legitimate straight forward business nominee?—

A. It was the sworn evidence before the commissioner that he had no personal interest in the matter at all, that he was simply the representative of these promoters. What they did was this: they had Nurse go through a form of entering into an agreement with the trust company for the purchase of the assets for \$250,000; they put up \$100,000 cash and assumed the existing first mortgage; then they made an agreement between Nurse and the company, Nurse putting up no money being merely a dummy; and they have an agreement between Nurse and the company by which the company issued 191,662 shares, assumed \$150,000 of a mortgage, and agreed to pay \$100,000 in cash, and by that device the promoter got 191,662 shares for nothing, which according to the valuation at that time had a value of nearly \$1,200,000.

Q. All right, now let us suppose that Nurse was not in the picture at all, what difference would it make to the actual disclosure of the fact that Hahn got these shares as the nominee of Nurse and that the consideration for the issue of the shares was the assets that had been acquired by Nurse and turned into the company. There was no secrecy about it. Here it is right on the record.—A. There was a great deal of secrecy about it.

Q. It went straight to the Ontario Securities Commissioner—A. No, it went to the Ontario Securities Commissioner stating that this plant was worth nearly \$1,200,000.

Q. Do you believe that the Ontario Securities Commissioner did not take an opportunity to investigate whether that plant was worth that amount or not?—

A. If he had he would have found that it was not.

Q. Isn't it part of his duty to know whether the assets upon which the securities are being issued, sold to the public are legitimate and sound?—A. As a matter of fact, it is not a part of his duties; and in this particular case the Ontario Securities Commissioner, for whom I have very high regard, for some reason or other went quite outside of the scope of the Securities Act—

Q. He is another one who in the course of the performance of his duty was unable to get the approval of the Hon. George Drew.

Mr. HOMUTH: And a lot of other people.

Mr. McGEER: Yes, a lot of other hungry Tory office seekers.

The WITNESS: It happens that I was at one time the Ontario Securities Commissioner and I happen to know something about the thing.

Mr. McGEER: You didn't last long after Mitch got there, did you?

The WITNESS: No, you see, Mr. McGeer, it is one of the rather flattering things, that when I left there Mr. Hepburn said that the office had been well administered; and I know that everyone here will take Mr. Hepburn's word on a matter of that kind.

Mr. McGEER: You are a very generous kind-hearted fellow.

What I want to come to is that in this contract, whether they succeeded or not, and I put the matter very fully to Mr. Fraser Elliott and said to him, Mr. Elliott do you think that if you let a contract to any company that there is any practical way by which you could stop a sale of stock, and he said no.

Mr. GREEN: At what page in the evidence is that?

Mr. BERCOVITCH: I will turn that up for you.

Mr. GREEN: I think Mr. McGeer should quote from the evidence. Let him quote from the record.

Mr. McGEER: I think this interference should stop.

The CHAIRMAN: My hon. friend (Mr. Green) has the record in front of him, it is his job to check up.

Mr. MACINNIS: He should tell him the page.

Mr. McGEER: We will delete that from the record.

Mr. BERCOVITCH: I think he can get the page all right.

Mr. GREEN: He has got about six assistant counsel with him.

Mr. BERCOVITCH: We don't need any assistant counsel down here.

The CHAIRMAN: My hon. friend has about four down along side him.

Mr. GREEN: No, we are all equals here.

The CHAIRMAN: I will help you any time.

Mr. McGEER: The Inglis company in addition to that control must give priority to government work—that is on page 2. At page 3 of the contract—it cannot purchase tools, dies and jigs nor manufacture without proper approval from the government officials; it must have vouchers for all preliminary expenses which are not payable until they are approved by the government representatives; each month submit statements showing the costs of manufacture of all jigs, tools and dies not to be paid until checked and approved by the government representative; machinery, tools, dies and equipment are the property of the government; all machinery, tools, dies and equipment must be kept free from lien, attachment, etc. Tools, etc. cannot be used for other work without the consent and then only on payment of an amount agreed to by the government; no conversions of the plants without approval; there cannot be any patent rights or copyrights used without the consent of the government; wages for labour must be approved by the government before they are payable; engineering services outside must have the written approval before it can be charged; all salaries and the payment of officers must be approved and apportioned to the share that is used in the production of the Bren gun; maintenance, repairs and alterations must have proper approval, travelling expenses must first be approved; they cannot write off real depreciation but their depreciation is limited specifically to an amount; no legal costs without approval; no payments on account only and by instalment; after the standard cost is fixed Inglis receives 25 per cent of the savings to the government; always government decision regulates the manner in which the standard cost figure is settled; must establish a cost accounting system and allow all extracts to be made; the government representatives have at all times to act as to the books of the company; no payments to be made in reduction of loans from the bank; provisions to be made for tests subject to governmental supervision; the government has complete control and priority of all deliveries; all material and workmanship subject to inspection of governmental officials; Inglis company bears the cost of rejects as provided for in the agreement with the standard of rejections fixed by the Enfield company in England.

Mr. GREEN: And that won't amount to anything.

Mr. McGEER: I would say just right there that if Major Hahn is just about one-quarter as efficient as Col. Drew would have us believe, his rejections will wipe out his entire profit and his \$267,000 as well.

The WITNESS: You see, in that you have absolutely misinterpreted all the facts that it gives.

*By Mr. McGeer:*

Q. Do you say that his efficient now?—A. What I said was this—and don't put words in my mouth—that this man had no experience in the manufacture of things of this kind, and that a man should have been chosen, or, rather, a group of men should have been chosen, who were to advise on matters of this kind. I am neither going to express an opinion on efficiency or inefficiency. What happens in the future has nothing to do with the fact that this contract was obtained by fraud and that it should not have been given to a man without consulting those who knew something about making things of this kind.

[Lieut.-Col. George A. Drew. K.C.]

*By Mr. Bercovitch:*

Q. That is, men who make iron and steel for a living?—A. Yes.

*By Mr. McGeer:*

Q. Hahn was born in the home of a metal-factory producer; he lived in a factory in the metal trade all his life and he has had more experience in production activity than anybody we have had before this committee yet, outside of yourself, and we have only got your own evidence on that.—A. Oh, no, and yours, Mr. McGeer, all the way through my examination.

Mr. HOMUTH: Might I ask if he has stopped the investigation of the stock manipulation because there were some question we wanted to ask?

Mr. McGEER: No, I am coming to that.

Mr. GREEN: Mr. Chairman, while you were out of the room the acting chairman gave Mr. Brooks permission to read some of Major Hahn's evidence dealing with these shares, and I submit Mr. Brooks should be allowed to do so before Mr. McGeer goes on to another subject. He has apparently found the stock subject pretty hot and he has dropped it. We were given the right to read it into the record.

Mr. HOMUTH: We did not know Mr. McGeer was going off that subject.

Mr. McGEER: Oh, no, he is not off the subject; don't you worry about that, but I was dealing with this matter by starting to read the first item and I am going to continue it.

Mr. HOMUTH: Just a moment. While you were out of the room, Mr. Chairman, Mr. Brooks asked for the privilege of reading certain evidence of Major Hahn into the record. He was given that right. Mr. McGeer continued discussing the stock manipulation and now he has veered off for some reason or other, I do not know, but he has veered off, and he is on an entirely different subject. I maintain that Mr. Brooks ought to have the right, as granted by the acting chairman in your absence, to read that into the record.

The CHAIRMAN: Mr. McGeer contends he is still going to continue with the stock affair.

Mr. HOMUTH: But he is off it now.

Mr. GREEN: He is miles away from it, Mr. Chairman.

The CHAIRMAN: Permit Mr. McGeer to finish dealing with the present document.

Mr. McGEER: "Inglis bears cost of rejects above normal. Government must approve persons employed. Inglis cannot permit anyone to inspect plant without approval. Disputes between the government and the contractor provided for by arbitration. Government can take over plant in the event of bankruptcy or failure to meet its obligations. Government can take over plant on terms of damages at any time."

Mr. HOMUTH: Might Mr. McGeer tell us from what he is reading?

Mr. McGEER: I am now reading a list of the provisions in the contract.

Mr. GREEN: What right has he got to come in and read a thing like that? It is simply propaganda, a synopsis of the contract from his own point of view, and it is entirely out of order. If it is for the purpose of directing a question, Colonel Drew might object to reading statements of that type.

Mr. McGEER: I am putting these questions upon the record upon which I am going to ask Colonel Drew a question.

The WITNESS: If you are going to question me about the contract I won't answer the question until you read the words from the contract.

Mr. McGEER: I am reading these provisions from the contract.



Mr. MACNEIL: He is paraphrasing it.

Mr. HOMUTH: On a question of privilege, Mr. Chairman, he is not reading from the contract, he is reading from some synopsis that he or one of his assistant counsel, or some one else, has prepared for him. Let him read from the contract.

*By Mr. McGeer:*

Q. Well, I will take it this way. Disputes referred to arbitrators, pages 12 and 13.—A. Which sections are you referring to?

Q. Paragraphs 11 and 12.

Mr. GREEN: Mr. Chairman, Mr. McGeer now, it is quite clear, is going to go into the terms of the contract. Before he does that I submit to you that we should have the right to read this into the record about the shares, because the contract is a very long contract.

Mr. FACTOR: It is on the record already.

Mr. McGEER: What exhibit did you want to read in?

Mr. BROOKS: Some of Major Hahn's evidence.

Mr. McGEER: We have that before us.

Mr. GREEN: You are not running this committee.

Mr. BROOKS: If Mr. McGeer is coming back to the stock shortly, it will be perfectly agreeable.

Mr. MCPHEE: He is coming right back to it.

Mr. HOMUTH: We are not sure that he is coming back to that subject. He dropped it like a hot potatoe, and he will not likely come back to it.

Mr. BROOKS: I was given permission by the acting chairman while you were out, Mr. Chairman.

The CHAIRMAN: I am afraid you have got me cold, if you were.

Mr. BROOKS: This is on page 498 of the record of the committee, and it is the evidence of Major Hahn.

Mr. TAYLOR: Mr. Chairman, I acted in your place while you were absent. I did say that the honourable member, Mr. Brooks, should read that following the letter or statement read by Mr. McGeer. I stayed in my seat after you came back waiting until Mr. McGeer finished to find out whether they wanted to read it and I decided that they intended not to read it and I left the room and he went on with other business.

Mr. BROOKS: We did not expect Mr. McGeer to drop the stock affair.

Mr. McGEER: I did not drop the stock and I have not dropped it, and it was not hot. It is another of your silly fraud charges that there is nothing in.

Mr. BROOKS: It is not as silly or fraudulent as some statements I have heard.

This is on page 498 of the evidence of this committee:—

*By Mr. Brooks:*

Q. Now, Major Hahn, for this 191,662 shares you and your associates would make no cash payment?—A. I would not like to answer that, Mr. Brooks; I do not know.

Q. Oh well, you know whether you did or not—A. No. Now, just one moment. I mean, I am not going to make a statement that is not a fact, I mean—are you a lawyer, Mr. Brooks? I mean, I am just asking you that?

Mr. BROOKS: Well, I practise law.

[Lieut.-Col. George A. Drew, K.C.]

Mr. BERCOVITCH: He is a member of the bar.

The WITNESS: You see, I am not; and I think it would be fairer to me if you would examine our lawyers on this thing.

*By Mr. Brooks:*

Q. I am not asking you legal questions, I am simply asking you as a matter of fact did you or did you not pay actual cash for these shares?—A. I will answer that in this way, to my knowledge we paid very substantial cash for those shares.

Q. For the vendor's shares?—A. Just wait a minute and I will explain it in my own way; again, as to the legalities of it I would prefer to have you ask the proper people; but I know that we put money up to buy the assets of the old John Inglis Company and to provide working capital for that company.

Q. Yes—A. But as to how much, that would depend on the amount ultimately required; you may as well put it this way, we have had to pay money directly or indirectly for those shares, I would imagine;

Again, he does not know.

Mr. McPHEE: Is that in there?

Mr. BROOKS: No, it is not in there.

Mr. McPHEE: Why put it in?

Mr. BROOKS: I think I have as much right to interpolate as Mr. McGeer or anyone else when they are speaking.

We had a firm agreement to buy the assets and to provide working capital, so I would imagine those shares have cost us something somewhere.

Q. As a matter of fact, Major Hahn, you paid for the treasury shares which were given you later—58,000 shares, called treasury shares—you obligated yourself to pay \$6 a share for those?—A. Wasn't it all part and parcel of the same transaction?

Q. No, no.—A. I mean, what is the difference. We put up \$350,000 cash, and we bought the assets of the John Inglis Company; that is what I knew we were doing and that is what we did. We had to raise \$350,000 as a result of it, as far as I know. It was my understanding that if we did that we owned the John Inglis Company. We had a mortgage of \$150,000 and we were to put up \$200,000 of working capital. That was my understanding of the transaction.

Q. You had \$250,000 cash payment and \$150,000 mortgage, you say?—A. No.

Q. Which would be— —A. No. \$350,000.

Q. \$350,000?—A. Yes. We committed ourselves for \$350,000 cash.

Q. You were obligated to the extent of \$350,000?

It is in here at \$500,000. That, I think, is a misprint.

Mr. McGEER: No, it is not. They committed themselves for \$350,000 cash and they had to provide \$200,000 for the working capital.

Mr. BROOKS: \$150,000 mortgage.

Mr. McGEER: That was besides that. It is in addition to that.

Mr. BROOKS: It is not cash.

The WITNESS: \$200,000 is not contributed to the company.

Mr. McGEER: All right, but Hahn had to provide the assurance they would have that working capital. The \$150,000 was in addition to the \$350,000 that they sold.

The WITNESS: Oh, no, no, you are quite wrong there, Mr. McGeer.

Mr. BROOKS:

Q. In that you also state that you receive shares to the value of \$1,400,000; that is only 191,000. That accounts for 191,662 of the shares. You still have 58,000 of the shares which are not accounted for at all. That is correct, is it not?—A. That is correct.

Q. In this agreement, Major Hahn, which as you say you have not studied very carefully, I will defy you or anyone else to find where you have paid one dollar for these 191,662 shares.—A. I still do not see what difference it makes. We committed ourselves to put up cash and mortgage money to the tune of half a million dollars; at the end of that we owned the company.

Q. The only difference is that we want to get the facts.—A. Those are the facts as I know them.

Q. I admit that you did pay that amount of money, but you did not pay it for these shares here that we are speaking of and it cannot be found anywhere in the agreement that you did. Later on you did purchase 58,000 shares for which you paid \$6, and contributed to the fund through the sale of those shares \$367,000, I think was the amount.—A. \$350,000.

Q. Well, it was in that vicinity?—A. Yes.

Q. You and your associates?—A. That is right.

Q. You were speaking of your associates?—A. As well, yes.

Q. As well?—A. Yes.

Q. Speaking of the British Canadian Engineering Company—and you say you wish we would discuss that with a lawyer—its function evidently was to take over the old Inglis plant and recapitalize it. That is what you would understand from reading the particulars of this agreement. Or have you read it?—A. I have not read it since—no, I should not say since it was drafted, when it was drawn; I read it some time during the commission; but I have not read it since. It was simply part of the mechanics of setting up our company, getting it going, so far as I know.

Q. On page 2607 of the evidence we come to the 58,333 shares. That is, there were 250,000. 191,662 were accounted for in the British Engineering Company. That left 58,333 shares. These were known as treasury shares, were they not?—A. That is correct.

Q. And another company, the Anglo-Engineering Company, was formed. The incorporators of that company were Winnifred May Woodburn, Lillian Maria McCartney, Kathleen Robinson, Florence Marjory Campbell and John Steele Wright. Are you acquainted with those people?—A. I believe they are stenographers or clerks in the office of Plaxton & Company.

Q. Those are the same incorporators as those in the British Canadian Engineering Company, Limited?—A. Yes.

Mr. TAYLOR: Mr. Chairman, upon a point of order. I agreed when I was in the chair to have Mr. Brooks read a question, but he is reading evidence that was submitted before. We have it all printed. Any member of the committee can read the evidence. Mr. Brooks is not making any correction but just simply reading the evidence. I contend unless we get along we are going to have to keep the witness here to-morrow. I would suggest that he finish as soon as possible.

[Lieut.-Col. George A. Drew, K.C.]



Mr. BROOKS: That is a very good suggestion, yes.

Q. They are also appointed provisional directors, I think?—A. Yes. That is the usual method, I understand, of incorporating any company. You have provisional directors and later you replace them.

Q. The amount then to be paid for the 58,333 treasury shares was \$6 a share?—A. That is correct.

Q. Has this total amount been paid yet, Major Hahn?—A. Of the—

Q. Of the treasury shares?—A. I am just checking that up.

Mr. BROOKS: Then Major Hahn looked it up in his record. As a matter of fact he had his book of records here.

Q. All right.—A. They have all been taken up with the exception of 2,584 shares which are not due until December of this year.

Q. Your records show that all your associates paid for these treasury shares?—A. That is correct.

Q. Your records do not show that you paid anything for those other shares?—A. Well, again—

Q. Well now, Major Hahn—

Mr. BERCOVITCH: Let him answer, at least.

Mr. MCPHEE: Reading the record all over again.

Mr. BROOKS:

*By Mr. Brooks:*

Q. You have a record of one and why not a record of the other, if anything was paid?—A. I would ask you, if you want the proper answer to that, to have Mr. Plaxton here who can probably give it to you.

It is in the books of the John Inglis Co. There was a record that the 58,300 odd shares were paid for and there was no record that the 191,000 shares were paid for, as they were not paid for.

Mr. MCGEER: Well, Mr. Chairman, I referred a moment ago to a statement I suggested Mr. Elliott had made. It is on page 215 of the record, and I put it to him clearly, if the Steel Company of Canada, the Dominion Bridge Company, the Canadian Car and Foundry Company, the Bertram Company, the National Steel Company, all of these companies are public companies and all of their stocks are listed; they are all on the stock exchange, and I ask him, if you had entered into a contract with any of these companies, would they have agreed to prevent their shareholders from selling their stock, and his answer was, we could have agreed that they should not have allowed their shareholders, but they would not have done it because it would not have been practical, and none of these companies would have entered into any such contract.

The WITNESS: It is quite obvious you could not control stock that was listed on the exchange.

*By Mr. McGeer:*

Q. Or stock that was issued. But what he did say was this, that we put in a provision that would effectively prevent the John Inglis Co. from reorganizing or manipulating this stock or make a profit on stock manipulations out of this contract, and the hon. Minister of National Defence told the committee that if there was any evidence came to him of such a stock manipulation being attempted that the stock was being lifted to anything like the figure that you suggest of \$25 a share, or into profits of millions of dollars that you mention in your article—A. Which would be very possible in a thing of this kind.

Q. That he would exercise the government's powers of expropriation and stop it?—A. When it was too late.

Mr. GOLDING: Not with the over-all property of \$267,000.

The WITNESS: That is in regard to this contract—\$450,000 on the two contracts.

Mr. GOLDING: I know, but even with that you could not manipulate and fool the people with stock over a period of four or five years on a profit like that.

Mr. HOMUTH: What about the prospectuses?

*By Mr. McGeer:*

Q. This is what Mr. Elliott says at page 215 of the evidence. He is to be highly commended for this attempt to stop that kind of thing in a company with a government contract:—

*By Mr. McGeer:*

Q. You had a company here set up and you wanted to prevent anything in the way of reorganization of manipulation of the stock?—A. Right.

Q. And what you state is that if, in this contract, we find that either the company or those associated with it are converting it from a contracting company into a stock jobbing company, we have power to cancel the license?—A. That is right.

Q. And you have that power?—A. Well, we took it as much as we could get it in a contractual relationship.—A. Unfortunately, that is not the effect of the section as was clearly pointed out at the commission.

Q. In any event, it is not in the British War Office contract; there is no such control there, and you say they are not interested in stock being held in Canada?—A. There would be no reason why there would.

Q. Do you think there is in any contract in the British War Office in England, or do you know of anything?—A. I have no idea, Mr. McGeer. I do say this, when you speak about manipulation of a company's stock, companies do not manipulate stock for profit, it is the promoters connected with the companies that manipulate stock. The effect of this section is that it has absolutely no control over the sale of the 191,662 shares which is the vendors and promoters stock, whichever you would like to call it, and Mr. Hahn, himself, I understand, has sworn that that is his interpretation of it too.

Q. But in any event it is a clear warning that if there is such a thing as increasing this stock to make millions out of it, as is suggested, that the minister of the Department of National Defence would have the right to interfere, maybe not under the contract, but under the inherent powers of the government to expropriate?—A. They are two different things. The section would not give the power.

Q. You have given us an outline this afternoon of the fraud, and you charge—A. Just a minute, you have been reading a summary of details from the contract. As you were not reading from the contract itself would you refer to what you said as you put it into the record about rejects

Q. "Ingليس pays costs of rejects above normal."—A. That is all normal rejects are accepted and profit paid on the costs in the usual way on that.

Q. When we went into that the evidence before the committee was to the effect that the rejects above normal engineering practice as defined in the contract would be determined by the engineering practice of the Enfield company. The question came up: How are you going to define normal engineering practice in a case of this kind, and it was agreed that the only place where you could get the information of what is normal engineering practice would be in the Enfield

[Lieut.-Col. George A. Drew, K.C.]

plant in England?—A. Well, I would only point out that there is surely nothing surprising about taking the precaution they were not going to pay the cost plus profit on rejects more than normal.

Q. That is a risk he has to take.

Mr. GREEN: Mr. Gillespie said there would be fewer rejects than in England.

Mr. McGEER: No, he did not say that. We hope that is true, and I think everybody hopes that is true because it means efficiency. It means a high standard of production; but if a set-up man, for instance, makes a mistake and a line goes through when a weapon like the barrel of the gun, and the body of the gun, is performed it can be a very costly loss to the enterprise, and whether Hahn is right or not he thinks he can set up this organization and take that risk, and he has put up \$270,000 of his own money.

Mr. GREEN: He has got \$800,000 worth of shares.

Mr. BERCOVITCH: You say they are not worth it.

Mr. HOMUTH: Major Hahn says they are.

Mr. BERCOVITCH: You say they are not.

Mr. HOMUTH: In order to clear this up I think we ought to put this into the record:—

*By Mr. Green:*

Q. And holding those shares with a par value of one and one-half million dollars, you and your associates consider that you are entirely at liberty to dispose of them or do with them what you wish?—A. We think we are; and we think they are worth that.

Mr. BERCOVITCH: They may believe that.

Mr. HOMUTH: He believes that, yes.

*By Mr. Brooks:*

Q. That is the opinion of the commissioner as well?—A. Yes.

Q. And also, I think, of the accountant who went over the thing. you, yourself, Major Hahn, have put how much cash into it to date?—A. To date I have put in \$207,490.28.

Q. You hold, according to the record, 107,694 vendors shares and 20,374 treasury shares?—A. I hold 107,964 vendor shares and 34,915 treasury shares.

Q. What total does that make?—A. It would be roughly 142,000 shares and some hundreds.

Q. The par value of those is \$6 a share; that would be around \$852,000 or a little better for the value of the shares, Major Hahn?—A. That is correct.

Mr. BERCOVITCH: Do you believe that part of his evidence?

The CHAIRMAN: Gentlemen this reading from the record is apparently resulting from isolated arguments starting down at that end of the table.

*By Mr. McGeer:*

Q. We dealt this afternoon with the frauds alleged against Major Hahn with regard to the English contract.

Hon. Mr. STEWART: Mr. Chairman, with a view of clearing up this apparently not very clear situation with regard to the stock, I suggest that Mr. McGeer ask the witness if he has any statement to make that would clear up the situation.

Mr. GOLDING: We have heard that statement over and over again.



*By Mr. McGeer:*

Q. Now, what I would like to do would be to get your statement of the frauds which you think have been committed against the Canadian government by Major Hahn.—A. They are all part of the same fraud.

Q. What specific fraud do you allege Major Hahn committed against the Canadian government?—A. Exactly the ones I have told you of in obtaining this contract.

Q. That is the—not the misrepresentations that were made to the British War Office surely—what misrepresentations did he make to the Canadian government?—A. Well, I assume—I am giving the Department of National Defence credit for not having known all the facts when they repeated statements which he gave to them.

Q. Yes. What statements of fact which you consider are fraudulent are included in that with regard to the Canadian government?—A. Well, first of all, the statements in the letter of October 20, 1936, in which the deputy minister of national defence relying on information furnished him by Hahn according to his evidence, made statements about this company which were inaccurate.

Q. Yes, to what extent?—A. Oh, if you want me to read that exhibit again I will do it.

Q. I want to know what the fraud you allege was that was committed against the Canadian government?—A. Giving the appearance of this company being a going concern. You remember that there were plants—you will remember that the Deputy Minister of National Defence, relying on the information, according to his evidence furnished him by Major Hahn, said that Hahn was going to England,—that was for transmission to England and to the war office—representing a reliable group which controlled certain manufacturing plants capable of manufacturing armaments and munitions. And then again:—

In this connection the department must consider the possibility of the gun being manufactured in a plant or plants other than government owned, such as for example those controlled by Major Hahn and his associates. . . .

Q. Is there anything else?—A. Yes; there were two letters, May 7 and May 22, of 1937, in London.

Q. Yes; anything else? They were all after Alguire's report on file with the Department of National Defence?—A. Quite.

Q. Yes.—A. Alguire did not know anything, or at least there is nothing to indicate he knew anything about the ownership of the plant.

Q. He knew it was closed down?—A. He knew it was closed down; and what I pointed out before and what I point out again is this, that in Major Hahn's letter to General LaFleche, the closing down of the plant was explained as being because of certain changes in the plant as though they were a continuing organization.

Mr. BERCOVITCH: Where do you get that?

*By Mr. McGeer:*

Q. But General LaFleche tells us that he knew the plant was closed down.—A. Is that a question to me? I mean, Mr. Bercovitch asked, "where do you get that?" That is out of the letter of June 27. I will read it.

Mr. BERCOVITCH: Yes.

Mr. GREEN: May 22.

The WITNESS: Yes, May 22.

Mr. McGEER: General LaFleche has given evidence to the effect that he knew all about the plant being closed down. He was not deceived by it.

[Lieut.-Col. George A. Drew, K.C.]

The WITNESS: Mr. McGeer, Mr. Bercovitch asked me a question.

Mr. McGEER: I am sorry.

Mr. GREEN: Speak up so we can hear.

Mr. BERCOVITCH: I do not have to. I have to listen.

Mr. HOMUTH: You counsel are getting mixed up.

Mr. BERCOVITCH: Oh, no. There is plenty of team play here.

The WITNESS: In the letter of May 22, 1937, Major Hahn has this to say:—

Our plan of operation consisted of—(1) making a complete analysis of the company's sales and profits and dropping non profitable lines whilst continuing production of all profitable existing lines. A new line has been added, namely, the manufacture of patented steel poles—(2) completion of budgets covering the production under the following headings:—

1. Boilers high and low pressure tanks
2. Engines
3. Bridge and structural steelwork
4. Machinery
5. Special steel production.

While the preceding was under completion, it was found necessary to give the plant a complete overhauling. In October, 1936, during this period of plant overhaul contact was established with the Department of National Defence and an investigation undertaken with regard to the manufacture of the Bren gun.

That statement is absolutely fraudulent, and the minister of National Defence or the Deputy Minister of National Defence might easily have been misled. The explanation of the plant being closed down was because of changes being made which certainly were not taking place. They did not control the plant during that period.

Q. But General LaFlèche says he knew that.—A. Do not put words in his mouth. He knew that the plant was closed.

Q. But he says he knows of these changes now.

Mr. GREEN: Where do you get that?

The WITNESS: Where does he say that?

Mr. McGEER: He has been listening to that for six months.

Mr. MACINNIS: He knows it now.

*By Mr. McGeer:*

Q. Yes. He says he has not been deceived; that he does not believe that any fraud has been committed against him; that he still has faith and confidence in Major J. E. Hahn and that he has no desire to take any action for what you say are fraud and misrepresentation that have been perpetrated against him.—A. Not perpetrated against him. General LaFlèche is a civil servant; and no matter how commendable his motives may be, he is not responsible for the department. I have been extremely critical of him—

Q. Yes.—A. —I have said that certain of his evidence cannot be believed and that is so. I have said there was a reason why he did not give his evidence frankly,—and I believe there is a reason and that is that he is acting under instructions of the minister.

Q. You know General LaFlèche's record, do you not?—A. Yes.

Q. He went overseas in 1915.—A. Mr. McGeer, I thought we had long passed the time when in this country a question of war service had anything to do with a man's capabilities in his subsequent employment.

Q. No. But this man happened to be overseas, was badly wounded in 1916, lost an eye, was in the hospital for over a year, at the point of death during a goodly portion of that time, on three different occasions receiving extreme unction.—A. Do you think I am any less sympathetic to men who suffered that way, as I saw men suffer that way, than you are?

Q. I wonder.—A. Well, do not wonder.

Q. The point is this.—A. That has nothing to do with what you are discussing.

Q. The point is this, that this man came home from overseas and was appointed to be purchasing agent for Canada in 1920. He was decorated overseas with the M.C. and the legion of honour and he was appointed by a conservative government to a position of high public responsibility in 1920.

Mr. HOMUTH: What has that got to do with it?

*By Mr. McGeer:*

Q. He remained in the service of the people of Canada until 1932 when he was elevated to the high and distinguished and responsible office of Deputy Minister of National Defence by the conservative government.—A. You are not complaining about the conservative government, are you?

Q. Not a bit; but what I am pointing out to you is that this official who has had the confidence of the conservative government in 1920, the liberal government from 1921 to 1930, the conservative government from 1930 to 1935 and still retains the respect of the liberal government in 1939. You know that record, do you not?—A. I know that.

Q. And knowing that record, you dealt with a contract that has been largely negotiated, sponsored and developed by the Deputy Minister of National Defence because the minister has told us—A. Do not put words into my mouth and do not tear words from the context.

Q. I am going to read all this context.—A. That is fine.

Q. Because you have told this committee right here—

Mr. HOMUTH: You told us the departmental committee handled the contract.

Mr. McGEER: The departmental committee received a contract to advise on after it had been negotiated by the British war office, through the contracts department there and the Department of National Defence, with General LaFlèche; and General LaFlèche takes full responsibility for this contract.

Mr. GREEN: You have been telling us for weeks that Hahn was the man who got the British contract. Now apparently it was LaFlèche.

Mr. McGEER: I did not say that at all. I said the contract that was handled by the interdepartmental committee was one negotiated with the war office and one negotiated with the Department of National Defence, and that the negotiations with our contract, in the matter of the Canadian contract, had been carried on by General LaFlèche; and the minister has given evidence that he had little to do with it, that he relied exclusively upon the officials of his department, that he had confidence in them and has confidence in them yet.

The WITNESS: Mr. McGeer, Mr. Mackenzie in the witness box said that he accepted full responsibility for this contract.

Mr. McGEER: Because he relied on—

Mr. BERCOVITCH: Reliable men.

Mr. McGEER: Yes.

Mr. GREEN: No.

[Lieut.-Col. George A. Drew, K.C.]



Mr. McGEER: He has not said anything different yet. At page 4299, and if there is anything in the contract that I did not read I will be glad to accommodate you.

I submit that every step which LaFlèche has taken in the negotiations leading up to the Bren gun contract is, on the evidence, open to very grave suspicion, and I ask you to so find. I submit that for the part he played Mr. Mackenzie is open to even more severe condemnation.”  
“I submit that every step which LaFlèche has taken in the negotiations

leading up to the Bren gun contract is, on the evidence open to very grave suspicion, and I ask you to so find”.

The WITNESS: Are you going to read it backwards? What date is that?

Mr. McGEER: You don't need to get funny about it.

The WITNESS: I am not getting funny. I am going to demand, Mr. McGeer—

Mr. McGEER: It is going to be a lot worse than your highest expectation.

The WITNESS: What page did you just read from.

Mr. McGEER: I read from page 4299.

The WITNESS: Yes, now what page are you reading from?

Mr. McGEER: Page 4299.

The WITNESS: Yes.

Mr. McGEER: Now that you have drawn my attention to page 4299 I will give you a little more by reading the first paragraph:—

From October 9, 1936, until March 22, 1938, and in fact after that, in relation to the British contract itself LaFlèche's conduct is, I submit, open to the severest condemnation at every step. His statements in evidence are contradicted by his own cables and letters which he himself wrote and received. The explanations he gives for refusing to deal with any other company have no foundation in fact, as in the case of the Jolley report. The Prime Minister had indicated that in negotiating armament contracts there must be no suspicion. I submit that at every step which LaFlèche has taken in the negotiations leading up to the Bren gun contract is, on the evidence, open to very grave suspicion, and I ask you to so find.

I submit that for the part he played Mr. Mackenzie is open to even more severe condemnation.

And that follows this statement on page 4294:—

I submit that from the beginning to the end LaFleche's evidence is not to be believed.

The WITNESS: Why are you reading it backwards; and why are you omitting what I said about Mackenzie. I said that he was the one responsible for this?

Mr. McGEER: I am dealing with LaFleche at the moment. “I submit that from the beginning to the end LaFleche's evidence is not to be believed—”

The WITNESS: What page is that?

Mr. McGEER: That is page 4294-A. I will read it to you again:—

I submit that from the beginning to the end LaFleche's evidence is not to be believed. The evidence he gave is in direct conflict with what has been shown by the record and by the evidence of other witnesses. LaFleche had some reason for the course which he followed in these negotiations.

The WITNESS: Yes, and I said, "that reason has not yet been explained."

Mr. McGEER: That was another reason for your suspicions; and at page 4300 you said this:—

I submit there can be no justification of any kind for Mackenzie misleading the Prime Minister of this country.

The WITNESS: At what page is that?

Mr. McGEER: That is at page 4300.

The WITNESS: Whereabouts on the page?

Mr. McGEER: On page 4300 in the middle of the page; "I submit"—at the end of the date, "March 31, 1938."

Mr. HOMUTH: Drop your pulpit voice and speak a little louder.

Mr. McGEER: Yes. I understand, you have no regard for charges hurled at public servants; well, if you have not, I have.

You say: "I submit there can be no justification of any kind for Mackenzie misleading the Prime Minister of this country, misleading the cabinet, and his conduct in the negotiations with the war office of Great Britain. Whether it be from the point of view of business interests, industrial efficiency or national security, nothing can be said, I submit, to justify this contract in any way. It was conceived in sin, born in iniquity and cloaked in fraud."

The WITNESS: And then read the balance of that paragraph.

Mr. McGEER:

The defence forces of Canada should not be asked to rely on this group of ambitious promoters, and their mushroom company for the weapons which they so urgently need, and I ask you to so find.

Now, Mr. Commissioner, in closing may I say this—"

*By Mr. McGeer:*

Q. You made that charge after eight weeks of evidence; you got a finding on it didn't you?—A. You know what the finding is. You know perfectly well that the finding is that the judge decided that he was not going to comment on the conduct of individuals and he referred that to the House of Commons.

Mr. McGEER: Well, we will be prepared to deal with it.

The WITNESS: That is the finding.

Mr. McGEER: All right, let me read you section 51—"I think it right to say—".

The WITNESS: What page is that?

Mr. McGEER: That is page 51.

I think it is right to say that there is no evidence (nor is there in evidence any ground for suspicion) that the Minister or the Deputy Minister or any officer or official of the Department of National Defence was guilty of any act of corruption or anything in the nature of corruption.

Mr. HOMUTH: No one charged it.

The WITNESS: You know exactly what corruption means in regard to the individual; it has the meaning of a receipt of money on the part of a public official. And if you had read through the evidence you would find that I took very emphatic exception that anything of the kind had ever been charged.

[Lieut.-Col. George A. Drew, K.C.]

*By Mr. McGeer:*

Q. Do you say that a public official who has the responsibility of a deputy minister of National Defence throughout eight weeks of evidence was not to be believed throughout; you as counsel responsible make that charge; that the finding of the commissioner was not intended to clear LaFlèche completely of the charge made against him to the Honourable Mr. Justice Davis?—A. Now, you know perfectly well that it was not, and you know it was not charged. You know perfectly well that you never argued a case in your life where there was a dispute between the parties in which it is not a question as to which side was to be believed one way or the other and a finding made on that basis; and when you made your own suggestion that that was a charge of perjury you knew that that was not so; you know perfectly well that the judge made a finding that he was not going to deal with the conduct of individuals. If you go through the evidence I think you will find that it was, as a matter of fact, Mr. Forsyth who introduced the word "crooks" at one time; and I said, now there is not going to be anything of that kind, we are dealing here merely with the whole details of this contract, and that is the atmosphere in which it was made and in which the judge disposed of it; and the judge says quite clearly at page 35 of his findings; "having fully weighed the objection advanced on this ground, as well as the weighty consideration brought to my attention by counsel that the rights of individuals interested in the contract might become the subject of legal controversy elsewhere, I have come to the conclusion that it is inexpedient to comment upon the evidence in respect of its bearings on the conduct of the individuals concerned."

Mr. FACTOR: That reference is to Major Hahn as a soldier.

Mr. McGEER: He does not deal with that at all, because you go on there and you say that this man was giving evidence in connection with a contract that was under investigation; you say that throughout the investigation his evidence is not to be believed; you did not drop it on the question of whether the witnesses were telling the truth or not; you then go much further and you say that this contract was conceived in sin, born in iniquity and cloaked in fraud. LaFlèche was the man responsible for that contract?

The WITNESS: You cannot bring those two together at all, not by jumping pages or by any trick of that kind. I have explained to you why I said this contract was cloaked in fraud. It was also cloaked in fraud subsequently because of the fraudulent sale of stock to the public. The fraud was in relation to Hahn's conduct in connection with this, as I have explained, and no amount of repetition on your part is going to change my evidence to that extent.

*By Mr. McGeer:*

Q. Do you think that a man whose evidence on a public inquiry under oath cannot be believed from end to end should remain in the public service of the Dominion of Canada.—A. As the judge said in his report, that is for the government to decide.

Q. What would you do about it?—A. I am not yet the Minister of National Defence.

Q. So that you want to leave this committee in the hope that it will find that the judge had not disposed of your charges against the deputy minister of National Defence?—A. I am most emphatic that I expected and, as a matter of fact, made it clear long before this report was signed, that there was no suggestion of corruption against the deputy minister or any one in the department.

Q. All right, but what I am putting to you is a matter with which I think it is the duty of this committee to deal. Do you now repeat the charges against LaFlèche that, throughout the public inquiry in which you took part before the Honourable Henry Haig Davis, LaFlèche's evidence was not to be believed?—A. Yes.



Q. What?—A. I repeat the words that I used there.

Q. Then you repeat the charge here to-night, and I will read it to you so that—A. I say that the evidence is not to be believed, and if you read the evidence you will find the specific instance I give, that it is impossible to accept evidence which conflicts with the earlier evidence given by himself.

Q. "I submit that from the beginning to the end Lafleche's evidence is not to be believed. The evidence he gave is in direct conflict with what has been shown by the records and by the evidence of other witnesses." And there is no limitation on that. You say, "I submit that from the beginning to the end Lafleche's evidence is not to be believed." I presume that you would say the same thing here to-night and repeat the charge and say that it has not been dealt with by the commissioner who conducted the royal commission on the Bren gun contract.—A. I say that the commissioner has most emphatically refused to deal with whether proper steps were taken to protect the public in this case, and that is an incident of that finding as well as of the finding in regard to the conduct of the individuals.

Q. And the charge against Lafleche still stands?—A. As it does against Macenzie and Hahn and those who were a party to this.

Hon. Mr. STEWART: Might I ask one question? Mr. McGeer is asking the witness what position he took as counsel. Would it be irrelevant to say what position government counsel took with regard to the finding on these questions?

Mr. McGEER: We have already said that and he has referred to it and read it.

The WITNESS: The government counsel took the most emphatic stand, that there could be no finding in regard to the individuals.

*By Mr. McGeer:*

Q. You make the same charge with regard to the contract being born in sin—A. Conceived in sin.

Q. —conceived in sin, born in iniquity and cloaked in fraud?—A. I do.

Q. Do you say that a man who had been associated with a contract in that way was not charged with corruption?—A. I most certainly do. We have all been associated with that contract.

Q. You do not mean that, surely. You know, these men who are going to deal with your evidence, Colonel Drew, are ordinary members of parliament, it may be true, but they can all understand.—A. And I hope they can keep closer to the facts than you have in your questioning. The fraud I referred to was fraud in connection with the contract by Hahn, both the contract and the subsequent sale of stock. That is the fraud. As for the expression that it was "conceived in sin," if you wish to take the analogy, that started with the misstatement by Mr. Hugh Plaxton on August 24, 1936, when he spoke to the Prime Minister about these friends of his with their plant, and it was born here in Ottawa following an evening at the Rideau Club under circumstances which have been fully outlined in the evidence.

Q. As a matter of fact, you believed that this was a fraudulent, corrupt contract when you wrote the article?—A. I told you yesterday quite clearly I thought it was a bad contract. I found out it was a fraudulent contract, an extremely fraudulent contract, when I heard the evidence before the commission.

Q. And you gave that impression out to the public in your article?—A. No. Don't again put words in my mouth. You don't seem to be able to remember. I just told you at the time I wrote the article I thought and said it was a bad contract, and I am telling you now that having heard all the evidence I go further and say that it is a fraudulent contract so far as Hahn is concerned.

[Lieut.-Col. George A. Drew, K.C.]

Q. Are you happy that there is in the Dominion of Canada at the moment developing, according to schedule, one of the most efficient small arms production units in the British Empire for the supply of Bren guns for the defence of Canada and the United Kingdom?—A. I am certainly not glad it is developing under the ownership it is. I will be very glad if it is an efficient plant and much happier when it is taken over by people who are not using it for the purpose of stock promotion.

Q. Are you happy that there is a contract for 5,000 guns in Canada which is giving employment to Canadian workmen?—A. I read to you, Mr. McGeer, as far back at 1936 and earlier, that I was one of those who were urging that steps be taken here to make it possible to produce guns of that type and other equipment; and if the recommendations that we had then made had been carried out we would be making artillery weapons, anti-aircraft guns, rifles, heavy machine guns as well as Bren guns, and they would probably be in production by now under competent management and without profiteering..

Q. When did you first make those recommendations?—A. I read them to you. They were before the Conference of Defence Associations in 1936, and the resolution was passed by that conference as a result of the discussion there calling upon the government to form a munitions board for the purpose of carrying out production as soon as possible.

Q. You do not give Hahn any credit at all?—A. None.

Q. And you do not give him any approval for the respect he has from Sir Harold Brown of the British War Office?—A. I have nothing but contempt for the manner in which he got access to the British War Office and for what he has done in connection with this contract.

Q. You have nothing but contempt for Hahn and you had nothing but contempt for him when you wrote your article?—A. No, I did not know the details I know now.

The CHAIRMAN: Gentlemen, it is 11 o'clock. We shall adjourn until 11.15 to-morrow morning.

WITNESS: We are adjourning again, are we?

Mr. HOMUTH: Are you finished? It is quite definitely understood you are finished, are you, Mr. McGeer?

Mr. McGEER: Yes.

Mr. HOMUTH: That is what we want to know, because, after all, we want an opportunity to bring some evidence out. It is not very necessary in view of what Colonel Drew has said, but we would like to clear up a few things to keep the record clear, and we should like to follow on in the morning.

(At 11.10 p.m. the committee adjourned to meet again at 11.15 a.m. Friday, June 2, 1939).















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SESSION 1939

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HOUSE OF COMMONS

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STANDING COMMITTEE

ON

# PUBLIC ACCOUNTS

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MINUTES OF PROCEEDINGS AND EVIDENCE

RESPECTING

## THE BREN MACHINE GUN

AND OTHER ARMAMENT CONTRACTS

---

No. 28

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FRIDAY, JUNE 2, 1939

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WITNESSES:

Lieut.-Colonel George A. Drew, K.C.

Major-General L. R. LaFleche, Deputy Minister, Department of  
National Defence

OTTAWA  
J. O. PATENAUDE, I.S.O.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1939





## MINUTES OF PROCEEDINGS

FRIDAY, June 2, 1939:

The Standing Committee on Public Accounts met at 11.15 o'clock a.m., the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Bercovitch, Bertrand (*Laurier*), Bothwell, Brooks, Factor, Ferland, Fleming, Fournier (*Maisonneuve-Rosemount*), Fraser, Glen, Golding, Grant, Green, Homuth, Isnor, MacInnis, MacNeil, McDonald (*Pontiac*) McGeer, McKinnon (*Kenora-Rainy River*), McLean (*Melfort*), McPhee, Marshall, Patterson, Purdy, Rickard, Slaght, Stewart, Taylor (*Norfolk*), Thauvette, Turgeon.

*In attendance:* Lieut.-Colonel George A. Drew, K.C.; Major-General L. R. LaFleche, Deputy Minister, Department of National Defence; Major J. E. Hahn, President, John Inglis Co., Limited.

Examination of Colonel Drew was continued.

Moved by Mr. McGeer:

That the Committee adjourn until 2.30 this afternoon and that, on the resumption of the Committee's sittings, General LaFleche be called, to be followed by Major Hahn.

Discussion followed.

Moved by Mr. McDonald:

That this question be now put.

After discussion, the Chairman ruled that Mr. McDonald's motion could not be admitted.

At 1 o'clock p.m. the Committee adjourned until 2.30 o'clock p.m. this day.

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## AFTERNOON SITTING

At 2.30 o'clock p.m. the Committee resumed, the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Bercovitch, Bertrand (*Laurier*), Bothwell, Brooks, Douglas (*Weyburn*), Factor, Ferland, Fleming, Fournier (*Maisonneuve-Rosemount*), Fraser, Glen, Golding, Goulet, Green, Homuth, MacInnis, MacNeil, McCann, McDonald (*Pontiac*), McGeer, McKinnon (*Kenora-Rainy River*), McLean (*Melfort*), McPhee, Marshall, Patterson, Purdy, Rickard, Slaght, Stewart, Stirling, Taylor (*Norfolk*), Thauvette.

*In attendance:* Lieut.-Colonel Drew, Major-General LaFleche and Major Hahn.

At the suggestion of the Chairman, Mr. McGeer withdrew his motion and it was agreed that the examination of Colonel Drew be concluded as speedily as possible and that Major-General LaFleche and other witnesses be then called.

Examination of Colonel Drew was concluded.

General LaFleche was recalled and further examined.

*Exhibit No. 16:* General LaFleche filed a copy of a press release issued by the Department of National Defence on May 5, 1938.

At 6 o'clock p.m. the Committee adjourned until 8.30 o'clock p.m. this day.

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#### EVENING SITTING

At 8.30 o'clock p.m. the Committee resumed, the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Bercovitch, Brooks, Douglas (*Weyburn*), Dupuis, Fraser, Green, Homuth, MacInnis, MacNeil, McDonald (*Pontiac*), McGeer, McLean (*Melfort*), McPhee, Marshall, Patterson, Purdy, Slaght, Stewart, Stirling, Taylor (*Norfolk*).

*In attendance:* Major-General LaFleche and Major Hahn.

Examination of General LaFleche was continued.

At 11 o'clock p.m. the Committee adjourned until Saturday, June 3, at 11.15 o'clock a.m.

A. L. BURGESS,

*Clerk of the Committee.*

## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

OTTAWA, June 2, 1939.

The standing committee on Public Accounts met at 11.15 a.m. The Chairman, Mr. W. A. Fraser, presided.

The CHAIRMAN: We have a quorum, gentlemen. Proceed.

Colonel GEORGE A. DREW, recalled.

*By Mr. Green:*

Q. Colonel Drew, either yesterday, the day before or the day before that—I have lost all track of time—Mr. McGeer started out to read this mystery article to you, apparently trying to point out inaccuracies that he thought were in it. He did not carry out very long with it and apparently gave up the ghost before finishing the article. I propose to read to you to-day a portion of that article having to do more particularly with the distribution of the stock. Before I do that might I ask were you at one time Securities Commissioner for the province of Ontario?—A. I was.

Q. During what period did you hold that position?—A. I was the first Securities Commissioner. I was appointed in 1931, early in 1931, when I organized the Securities Commission. Then, as was indicated yesterday, I left that shortly after Mr. Hepburn's arrival in office.

Q. When did Mr. Hepburn arrive?—A. There may be some doubt down here if he ever arrived, but he came into power in June of 1934, and I left that office in October of 1934.

Q. I understood you to say yesterday that you had had something to do with the drawing of the Act as a result of which that commission was set up?—A. At the time, I was Master of the Supreme Court of Ontario, and I was consulted in regard to various aspects of it and in regard to various amendments to the Act from time to time, and I also framed most of the regulations at that time.

Q. How long were you the Master of the Supreme Court of Ontario?—A. I was appointed assistant master in 1925 and remained there until 1931. I was appointed Master, I think, in the end of 1928.

Q. In your position as Securities Commissioner did you have occasion to examine a great many companies whose stock was being sold to the public?—A. Oh, hundreds, yes. Perhaps through the office, of course, thousands.

Q. And I suppose you would have experience of a similar nature in your position as Master and assistant Master of the Supreme Court?—A. As you know, of course, a great many company matters are referred to that office and decisions are made upon company matters of various kinds.

Q. Now I shall refer you to this portion of your article, the heading of which is "Distribution of stock." Have you that before you?—A. Yes.

Q. It reads as follows:—

So much for the contract itself. Let us now look at what lies behind the contract. Profits from armaments are not confined to the earnings of a company. Even if \$457,000 in five years is as small a profit as Mr. Mackenzie thinks it is, that is only the beginning. There are the salaries which have already been mentioned. That can be a rich source of profit. But the greatest opportunity for large profits lies in the stock



of the company. In the past the public has not only expressed its repugnance to profits on the sale of arms but it has been particularly resentful of profiteering in stock of armament companies. Let us see then what the possibilities are in that respect. In order to do so it is necessary to trace the steps by which the Hahn company acquired its property and what has happened to the stock.

As has already been explained, Plaxton & Company, as Major Hahn's solicitors, obtained the charter for this armament company in 1936, shortly after Major Hahn and the Department of National Defence had started their investigation in England of the possibility of manufacturing the Bren gun in Canada. Its capital consists of 250,000 shares of the par value of \$6 each.

The property of the bankrupt boiler company in which the guns are to be manufactured—

You will notice Mr. Golding, it does not say an "old boiler factory."

Mr. GOLDING: He knows just as much about the factory as you do.

Mr. GREEN:

The property of the bankrupt boiler company in which the guns are to be manufactured was not bought by the present John Inglis Co. Limited direct from the receiver of the estate of the defunct John Inglis company. Some arrangement was made whereby Stanley Nurse, the office manager of the Toronto stock brokerage firm of Cameron, Pointon & Merritt, acquired the property from the receiver and he acted as the vendor to the new John Inglis Co. Limited. The consideration shown as payable to him was \$100,058 in cash, the assumption by the company of an existing first mortgage for \$150,000 and 191,652 shares of stock of the total capitalization of 250,000 shares. This would appear to have given Mr. Nurse a commanding control of John Inglis Co. Limited, but appearances are as deceiving with armament companies as with many others. The shares were not issued to Mr. Nurse. On April 26, 1938, he instructed John Inglis Co. Limited to issue the entire block of 191,662 shares to a company known as Investment Reserves Limited. The remaining shares, other than the five shares issued to the original directors, were allotted to another company, Anglo Engineering Company Limited. Of the 58,333 shares allotted to the latter company, however, 25,000 were issued under their instructions to the firm of Cameron, Pointon & Merritt.

Major Hahn is shown by the company's prospectus—

Have you got that prospectus, Colonel Drew?—A. That is the statutory prospectus. I have not a copy of that in front of me, no.

Mr. GREEN:

—as holding 107,964 shares which appear to be part of the block issued to Investment Reserves Limited, so that the stock position on April 26, 1938, would be:—

	Shares
Major James E. Hahn.....	107,964
Investment Reserves Limited.....	83,698
Anglo Engineering Company Limited.....	33,333
Cameron, Pointon & Merritt.....	25,000
Original incorporators. ....	5

Of these shares cash has been paid or is payable for those in the hands of Anglo Engineering Company Limited, Cameron, Pointon & Merritt, and the holders of the five shares issued to the original incorporators.

[Lieut.-Col. George A. Drew, K.C.]

Then the next heading is:—

### THE THREE COMPANIES AND THEIR DIRECTORS

The next point to consider is the personnel of these companies. A company which has been entrusted with the job of rearming the Canadian land forces must be in particularly strong hands. A prospectus issued by the company and dated June 7, 1938, gives the following as the directors of the John Inglis Co. Limited, with the amount of stock they hold opposite each name:—

	Shares
James E. Hahn, 14 Strachan Ave., Manufacturer....	107,964
F. M. Campbell, 1207 Canada Permanent Building, Toronto, Secretary. ....	1
L. McCartney, 1207 Canada Permanent Building, Toronto, Secretary. ....	1
K. Robinson, 1207 Canada Permanent Building, Toronto, Clerk. ....	1
J. S. Wright, 1207 Canada Permanent Building, Toronto, Barrister. ....	1
A. L. Ainsworth, 14 Strachan Ave., Manufacturer.....	1
W. R. McLachlan, 14 Strachan Ave. ....	1

Of these, Major Hahn, A. L. Ainsworth and W. R. McLachlan were previously engaged in manufacturing radios. The address of the John Inglis Co. Limited is given as their address. The address of the remainder is 1207 Canada Permanent Building, Toronto, which is the office of Plaxton and Company. Lillian Maria McCartney, Florence Marjorie Campbell and Kathleen Robinson are employees of Plaxton and Company, while John Steele Wright is a young barrister in their office, who was called to the bar last November. These are the directors of Canada's great new armament firm.

Next, let us find out something about Investment Reserves Limited, which holds such a large block of the stock of the armament company. Its directors, according to the return filed with the Provincial Secretary on June 27, 1938, two months after it acquired the stock of the John Inglis Co. Limited, are Winnifred May Woodburn, Lillian McCartney and Kathleen Robinson, all employees of Plaxton and Company who are also shown as the company solicitors.

The letter from Plaxton and Company which accompanied the application for the charter is not without some interest.

That, I presume, was an exhibit before Mr. Justice Davis, was it?—A. Yes, I think that was introduced.

Mr. GREEN:

December 16, 1937.

PROVINCIAL SECRETARY,  
Parliament Buildings,  
Toronto, Ontario.

DEAR SIR,—On behalf of our clients, we enclose herewith application for incorporation of a limited company under the name of Investment Reserves Limited, with an authorized capital divided into 100,000 shares of the par value of \$1 each.

The objects and powers are similar to the powers granted to General Resources Limited, incorporated on application from this office on the 20th April, 1937, and the warrant powers are similar to those granted to Anglo Engineering Company Limited, incorporated on the 16th November, 1936.

We enclose herewith our cheque for \$160, being the fee for incorporation.

We would appreciate it if you would fix the date of the issue of this charter as at this date, as there is some special urgency.

Yours truly,

PLAXTON AND COMPANY.

In view of the fact that three employees of Plaxton and Company are the directors of a company which holds 83,698 shares of the John Inglis Co. Limited with a present valuation of \$585,886, on the basis of the price at which the stock is now being sold to the public, it would be interesting to know what the "special urgency" was. Was it known that the contract with Hahn's company was soon to be signed? This is also something the public has the right to know. This stock has value only because the Minister of National Defence has undertaken to buy Bren guns with public money, so the public has a perfect right to know what special urgency there was about getting a charter for a company which now holds stock apparently worth more than half a million dollars.

Anglo Engineering also holds a large block of stock of the John Inglis Co. Limited. According to a departmental declaration filed on June 27, 1938, the head office of this company is the office of Cameron, Pointon and Merritt. The solicitors for this company are Plaxton and Company. Its directors are:—

Winnifred May Woodburn,  
Lillian Maria McCartney,  
Kathleen Robinson,  
John Steele Wright,  
Florence Marjory Campbell.

All of these are employed in the Plaxton office.

Cameron, Pointon and Merritt are at present selling this stock to the public at \$7 a share. As there is a provision in the contract that the licence of the John Inglis Co. Limited will be cancelled if any such sale takes place without the consent of the Minister of National Defence, he must be fully informed of all the facts regarding these companies.

There was some discussion yesterday about this portion of the article to a degree that the statements made in the article which I have read were called in question. Is there any change you would make in that portion of the article at the present time?—A. No change as of that date.

Q. There was talk yesterday about the money, the cold hard cash, that was put up. Would you explain to us your view of that particular part of this question.—A. You mean for all the stock, for the stock of this company?

Q. No, what actual cash was put up in connection with these three companies.—A. The cash that was put up was the cash for the purchase of the treasury shares. We can work it out in just a moment. It would amount to \$349,998.

*By Mr. McGeer:*

Q. You do not disagree with the statement of the money put up in the Plaxton letter to the Commissioner of Securities which I read to you last night?—

A. I am giving evidence now as to the amount of money put up. The amount of money put up was cash for the treasury shares which they received in turn for that cash. In other words, there was no free contribution of money to this company for the purchase of the company. It would be very much simpler if I explained, as it is quite obvious that there is some confusion as to how this took place from a remark that was made by Mr. McGeer, and it would be simpler if I explained how it was done.

[Lieut.-Col. George A. Drew, K.C.]



In the ordinary course of events in a promotional scheme of this kind one often finds that the promoters will get the title or an option on an existing property and then turn that property over to the company for an issue of the shares and sometimes of cash as well. I cannot remember a single case, even under that device, by which I have ever seen more than 51 per cent, or the bare amount necessary to exercise control of the company, where that has been done in that way.

But that was not the method adopted here. I naturally recognize that in the promotion of companies of this kind there is a certain legitimate form of promotion and, as a matter of fact, promotion of legitimate enterprises is a valuable contribution to the development of industry. But in a case of that kind also there can be some argument—although many people disagree with it—there can be some argument made for taking just barely over half of the common stock, of the voting stock of a company, so that those who promote it are able to retain control. But whether that is sound, or whether it is unsound—and it certainly is debatable—depends actually on what the value of the assets turned over really are. That was not the device adopted here. In this case what they did was, the John Inglis Company had gone into bankruptcy. At the same time, or within a few days one way or the other of the application of the petition for bankruptcy the Premier Trust Company, as receiver for the bondholders, had taken over this property. They were attempting to sell the property; Hahn and his associates became interested in the property. They did not seek to buy the property from the Premier Trust Company direct, nor did they buy it; nor did the John Inglis Co. buy it from the Premier Trust Company. What they did was, they had a man named Nurse who was the office manager of Cameron, Pointon & Merriitt, the brokerage firm which had such a large part in these proceedings, they had him act as the go-between or the dummy in carrying out the transaction. He was described by one of the trustees as a “power trustee.” I am not sure of that word, but that, as I remember it, was the word that he used, and I do say that he was acting solely for the promoters. Nurse entered into the agreement for the purchase of the Inglis Company for the hundred thousand and the odd fifty-eight dollars. For the purpose of the record we can discard the fifty-eight and keep it in round figures, and the assumption of the existing mortgage of \$150,000, or in other words, a purchase price of \$250,000. He paid no cash. It was not thought that he was going to buy the property; he was merely acting as a representative and a dummy for the promoters.

Then the company, which was the creature of the promoters, and then the John Inglis Company, the British Canadian Engineering Limited—

Q. That is the company that subsequently changed its name to the John Inglis Co.?—A. Yes. The British Canadian Engineering Company Limited which subsequently became the John Inglis Co., which was, of course, the creature of the promoters, entered into an agreement with Nurse, the dummy, for the purchase of the property all at the same time; and then in that purchase nothing had happened to change the situation at all; but in the purchase the price was \$250,000 in money value by the payment of the exact cash that Nurse had to pay, \$100,058, the assumption of the \$150,000 mortgage plus 191,662 shares of the common stock of the company. That is all common stock. That was the additional hand-out to Nurse and that was the way in which the promoters took to themselves for no consideration of any kind whatever, except working out this plan, the 191,662 shares of a par value of \$6 each.

Q. What percentage of the total share capital is it?—A. That is, 76.6 per cent of the total capital stock of this newly organized company was handed as water, promoters' stock, to the promoters themselves under this very ingenious device which was disclosed after the proceedings went on.

Now, a good deal has been said about the money put up by Hahn and his associates. There was neither generosity nor anything remarkable about it.

The money put up by Hahn and his associates was for treasury stock and they got stock for every cent they put up. In view of the remark that was made last night by Mr. McGeer it seems to be necessary to get this point perfectly clear. As against that 191,662 there is not one cent of cash consideration of any kind. For the cash they put up they received in full, treasury shares at a par value of \$6 each, and if the shares which they were selling to the public were worth \$7.50, then I suggest that they were getting fair consideration for the money so that there was no free gift of money to the treasury or anything of that kind. The total money put up by the promoters under this company was the money for the treasury stock, to which I have referred.

Q. How many shares were covered by that?—A. Fifty-eight thousand three hundred and thirty-three, the balance remaining after the 191,662 shares had been taken up. That leaves, as you will see, a blank of 5 shares. These are the 5 original incorporator's shares. Then, the plan that was being worked out to finance this company was this. Under the arrangement made with the Ontario Securities Commission the promoters were being permitted to sell their stock through a broker, not the vendors stock. They were being permitted to sell the treasury stock which they were taking up at \$6 a share for \$7.50 a share as has been stated yesterday.

In other words, what was being done was that they were going to sell the treasury stock to the public at \$7.50 a share, that they were taking up at \$6 a share. That was where the money for the financing was to come from. Then the treasury stock that they bought would be sold to the public, they would be reimbursed and they would have this whole company, 191,662 shares without a cent of expense to themselves.

*By Mr. Factor:*

Q. How many shares were actually sold?—A. As you know, actually there were only a few thousand sold, and then when this article came out the sale of the stock was stopped.

*By Mr. Green:*

Q. What you mean is 58,333 shares which you call treasury stock were to be sold to the public to finance the operations?

*By Mr. Factor:*

Q. When permitted.—A. Well, there was no argument, Mr. Factor. That was the arrangement. Cameron, Pointon & Merritt were taking down this stock for the purpose of sale to the public and that was the stock which they had available to sell. There was no intention at that time—when I say there was no intention, it was made clear that through the brokers they had no authority at that time to sell the so-called vendors or promoters stock or the 191,662 shares.

*By Mr. McGeer:*

Q. It will be fair to say that Major Hahn put up his \$207,000 and that none of his stock was sold?—A. Mr. McGeer, I am a little tired of this thing "it would be fair." I am giving you facts in regard to this company's structure. I have told you that for every cent put up by Major Hahn he got shares of stock to a corresponding amount, which had nothing whatever to do with promoters stock.

Q. I may be wrong, but I understood you to say that this company was to be financed by the sale of this stock to the public. As a matter of fact Major Hahn put up \$207,000 of his own money at that time?—A. At what time?

Q. It had been put in the treasury.—A. At what time?

Q. When the article was written, and you know that as a fact to-day.—A. That is where we are at variance. As I have already told you, they were getting

[Lieut.-Col. George A. Drew, K.C.]

stock for the money they were putting up. Let me explain what happened, in view of the misconception which you displayed last night; that Hahn and his associates did not put up the \$100,000 in cash or accept any obligation under the mortgage. The \$100,000 in cash came from the company. That money was taken out of the money paid into the treasury of the company for treasury stock, so that there was no payment of \$100,000 in cash by Hahn and his associates, no assumption of obligation by them, no consideration—

*By Mr. Factor:*

Q. I think there is a document in the file where Hahn obligated himself to pay that amount, and assuming \$150,000 mortgage.—A. The thing is that what actually happened was this. This is the way this whole thing worked out. They then signed a joint agreement, the promoters signed a joint agreement determining their interest and mutually agreeing to put up a certain share so that the company would be financed; that is, in respect to the 58,333 shares, you see. They agreed as to the distribution of the 191,662 shares and for the purpose of financing the company they entered into an agreement as to the basis on which they would take up the treasury stock which was the place where the financing was to be done.

Q. And for which they paid?—A. And for which they paid, and for which they got stock.

Q. Hahn told us in evidence that he had no intention of selling his stock.

Mr. McGEER: And it was so stated to the Securities Commission.

The WITNESS: Which stock, Mr. Factor?

*By Mr. Factor:*

Q. His own treasury stock.—A. No, that is not correct. That shows the confusion in it. Major Hahn was selling treasury stock.

Q. Not Major Hahn, Cameron, Pointon & Merritt. They were the ones that were actually selling.—A. They were the ones that were actually selling, the promoters, the stock that they would have sold to the public was the treasury stock.

*By Mr. McGeer:*

Q. The evidence is Major Hahn never sold a dollar of his stock. That was stated before the Davis commission and here.—A. I am giving evidence—

Q. We have got the evidence before us.—A. You are not giving evidence, Mr. McGeer.

Q. Let me put this to you. Is not everything you are saying now before the Davis commission?

Mr. MACNEIL: Cannot Mr. Green get an answer to his question?

Mr. GREEN: Colonel Drew was just giving the answer.

Hon. Mr. STEWART: There is lots of time to clarify it.

The WITNESS: Mr. McGeer showed complete misunderstanding of that last night when he suggested that they put up \$150,000 for the stock. It is not so. The \$150,000 was payable by the company to Merritt and then in turn to the Premier Trust Company, and the way they worked this out was, there were payments made by Hahn and his associates in order to carry out the arrangement and then they were reimbursed from the money that went into the treasury of the company by the purchase of treasury stock from their joint group, but paid to a separate account, and as they advanced money that was the account which was to be reimbursed by the company itself out of the money received by the sale of this treasury stock, the 58,333 shares.



*By Mr. Factor:*

Q. For which Hahn and his associates paid cash?—A. Exactly, got stock, which stock was in turn being sold by Cameron, Pointon & Merritt at the time this article appeared.

*By Mr. Green:*

Q. Your article mentioned another company known as the Anglo—A. Yes.

Q. Owning 33,333 shares?—A. Yes.

Q. Where did they fit in?—A. Well, actually as it turned out, it apparently took very little part in it. No real use for that company could be suggested when the discussion took place except for the fact that it was a device that is sometimes employed. I am not suggesting dishonesty or anything of that kind. The device employed to avoid personal liability. In other words, what they did was this: instead of the promoters subscribing for stock direct to the treasury of the Inglis company, the Anglo Engineering Company Limited had an office in the Plaxton office and of which the directors were and still are the five employees of Plaxton & Company, and it was that company which subscribed for the treasury stock and it was the stock which in turn the promoters took up.

*By Mr. Factor:*

Q. When you say directors, there is nothing unusual about provisional directors being employed in a law firm. You have incorporated many companies with provisional directors?—A. Yes, I have incorporated many companies. I know the ordinary course is to appoint provisional directors, but I never yet heard of provisional directors carrying on as the continuing directors of a public company of great importance of this kind.

*By Mr. Bercovitch:*

Q. There is nothing illegal in that?—A. There is nothing illegal in that, but it brings up the question, Mr. Bercovitch, and no one knows it better than you do, as to the question of the strong hands in which the company and the directorate of the company rest.

*By Mr. Factor:*

Q. They had only one share apiece?—A. Exactly, and yet they were the company that were going to hold this stock of this company which is dealing with the public needs in armaments.

Q. Not at all.—A. I need not argue that.

*By Mr. Green:*

Q. The result of the setting up of the Anglo Engineering Company Limited was that the individuals were under no legal liability to go through with the purchase of these shares?—A. Well, at that time I do not think that any particular attention need be devoted to that, because as this proposal developed they established the obligation amongst themselves to take up the stock—there is no question about that—they established the obligation to take up the 58,333 treasury shares, the promoters themselves.

Q. Then we come to 191,662 shares. How did they get into the ownership here of Major Hahn and Investment Reserves Limited?—A. Well, as I believe has been sworn here, and was shown by the prospectus at that time, of these 191,662 shares, 107,964 of those went to Major Hahn himself; a certain block went to Cameron, Pointon & Merritt and a certain block to Mr. Gordon Plaxton and Mr. Bert Plaxton. They were divided by an agreement between them.

[Lieut.-Col. George A. Drew, K.C.]

*By Mr. Factor:*

Q. And all of them are being held by the Bank of Montreal in escrow?  
—A. Under a system, which as I have explained, does not prevent sale. Since you have mentioned that point—

Q. We disagree on that.—A. Since you have mentioned that point, I will explain what the objectionable feature is on the present holding of that stock. In the first place, as the judge himself pointed out, it was stated by Major Hahn that his main purpose in this was to get into this thing as a continuing business. He was not interested in the sale of stock in any way. At the time that the statutory prospectus was filed, apparently Major Hahn held 107,964 shares. Actually at the time the inquiry took place and the accountants went into the matter, Major Hahn was only shown on the books of the company as holding 1 share of stock. By that time the balance of his stock and some of the other promoters' stock had been turned over to Investment Reserves Limited, so far as the name at least was concerned; and his stock in this company is held in the bank in the name of Investment Reserves Limited. The share certificates are made out in the name of Investment Reserves Limited and they in turn are endorsed in blank on the back by Investment Reserves Limited. There is not one share certificate for the amount of Major Hahn's stock, which would be the normal way for a man holding stock in a company he was going to stay with to hold it. It is divided into a large number of certificates of varying amounts, which are known in the stock brokerage parlance as street certificates. The reason they are given that name is because by dividing them up in those varying amounts and endorsing them in blank, they can be sold in the street where it is not a listed stock and where there is no actual operation in the exchange on it. That is the reason they are called street certificates.

*By Mr. Factor:*

Q. Do you know anybody that would purchase the beneficial interest, which you claim could be sold by Hahn, in certificates of that kind held in escrow by the Bank of Montreal?—A. What is that?

Q. Do you know anybody that would purchase those certificates under the circumstances existing in this case?—A. Not now. But they certainly might have before this article appeared.

*By Mr. Green:*

Q. The situation with regard to the 191,662 shares is that Hahn and his associates hold all those shares in the shape of street certificates.

Mr. FACTOR: That cannot be sold.

*By Mr. Green:*

Q. Is that correct?—A. The stock in escrow in the bank that has been talked of as vendor's stock is in the form of street certificates endorsed in blank, most of it in the name of Investment Reserves Limited, part of it in the name of Cameron, Pointon and Merritt, but all endorsed in blank.

Q. So that they are street certificates?—A. So that they are street certificates; and the moment they were released from the bank they could be sold as street certificates, traded in as street certificates. The reason I say that they can be sold is that they stand in the name of Investment Reserves Limited, not in the name of Major Hahn. If Major Hahn entered into a private agreement with somebody to sell his interest in this company, and that person could establish to the Bank of Montreal that they had a beneficial ownership of the shares of that stock in the name of Investment Reserves Limited, there is no legal ground upon which the bank could refuse to recognize that ownership of the stock, subject to one thing, that they could not release

the physical possession of the certificates until such time as they were released by the Ontario Securities Commission. But that would in no way limit their power to act on that stock because the stock that stands for bookkeeping purposes on the books of the John Inglis Company is in the name of Investment Reserves Limited.

*By Mr. Factor:*

Q. Would the Ontario Securities Commission permit the sale of that vendor's stock under those circumstances?—A. What I am explaining to you is that it cannot prevent it, in the way I have mentioned.

*By Mr. Green:*

Q. What is the total par value of those shares that are so held—the 191,662 shares?—A. \$1,149,172.

Q. What was the market value based on the sales of shares in the Inglis company that took place last summer?

Mr. BROOKS: You will find that in exhibit 320.

The WITNESS: \$1,437,465.

*By Mr. Green:*

Q. Mr. Factor made a statement a minute or two ago which I think should be cleared up. He said that Major Hahn had signed some document whereby he personally undertook to pay this mortgage indebtedness of the old company amounting to \$150,000. I have not been able to find any record throughout this inquiry that shows that.—A. No.

Q. I should like to have your evidence on that point.

Mr. FACTOR: Mr. Chairman, there certainly is in the extension agreement with the Premier Trust, extending the time of payment of that obligation. There is a document signed by Hahn himself undertaking the payment of that obligation.

The WITNESS: To whom?

Mr. FACTOR: I put it in the record about three weeks ago.

The WITNESS: To whom?

Mr. FACTOR: To the Premier Trust Company.

The WITNESS: Since you raise the point, I should be very glad to see the document.

Mr. FACTOR: I put it in the record about three weeks ago.

The WITNESS: Can you tell where it is now?

Mr. FACTOR: Yes; I will try to find it for you.

Mr. GREEN: I should like to ask Mr. Factor to produce that, because my idea of the evidence is exactly the opposite.

The WITNESS: Mr. Green, I do not think that that, after all, enters into it now to any great extent. The point is that to-day the people who are mortgagors are the John Inglis Company Limited. They are the ones who are the mortgagors of the Trust Company for \$150,000; and the company which has put up the money, the cash necessary, is the John Inglis Company, out of the money put into the treasury by the promoters in the first place for the treasury stock.

*By Mr. Green:*

Q. There is no direct obligation on Hahn or his associates at all?—A. Well, subject to some new document which I do not know of.

Q. Would you care to discuss the prospectus of the Inglis company?

[Lieut.-Col. George A. Drew, K.C.]



Mr. BERCOVITCH: Before you come to that, will you permit me to ask a question, Mr. Green?

Mr. GREEN: Yes.

*By Mr. Bercovitch:*

Q. Col. Drew, who do you consider the promoters were? Who were they?—A. The promoters or the group of reliable associates, as they are otherwise described, are J. E. Hahn, Gordon Plaxton, Bert Plaxton, Mr. Cameron, Mr. Pointon and Mr. Merritt.

Q. And they are committed for how much stock?—A. Well, I have not got that right in front of me. It is in the report of Ross and Company. If you find that necessary, there is an agreement they signed between themselves dividing the proportion of this that they would each take up.

Q. I am told the total for which they subscribed is about \$350,000?—A. Yes. I just gave the figures a few minutes ago.

Q. I thought you did, but I did not make a note of it.—A. Yes—\$349,998. That is pretty close to \$350,000.

*By Mr. Green:*

Q. Would you care to discuss the prospectus of the John Inglis Company, Col. Drew?—A. Do you mean by that the prospectus on which the stock was sold?

Q. Yes.—A. Yes, I certainly would; because I think that perhaps, from the point of view of objection to this type of promotion of an armament company, this is probably the worst feature.

Q. It is apparent that quite a block of stock was sold; and I should like to hear what you have to say about the method of sale.—A. The way the stock was being sold was that it was being sold by certain brokers, and Cameron, Pointon and Merritt were acting as the distributing agents; and it was being sold, according to the evidence given at the inquiry, at \$7.50 a share. Some of it was sold at \$7 a share, but most of it at \$7.50, and that was apparently the standard price to the public at the time of the selling of the stock. They called it an information circular; I think that was the name they preferred, but as the judge himself said, it is a prospectus, no matter what it was called. I am referring now to exhibit 318 as issued by Kippan & Company Inc. Investment Securities, 264 Hospital Street, Montreal. It is headed: "John Inglis Co. Limited, incorporated under the Companies' Act of the province of Ontario, authorized capital, 250,000 shares of the par value of \$6 each."

Q. What date is that?—A. August 16, 1938.

Q. Yes?—A. The first paragraph is marked "The Company" and reads:—

JOHN INGLIS CO. LIMITED is engaged in the manufacture of steel products, including general steel and plate structures, boilers, tanks, mining machinery and equipment, and other iron and steel products and machinery. The business was established in the year 1860, and its products are widely and favourably known throughout Canada. The property includes several large buildings, which are fully equipped for the manufacture of diversified lines of special precision steel and iron products. The buildings, plant, machinery and equipment owned by this company were appraised in 1929 by the Canadian Appraisal Company—

And I would mark the word: "owned by this company were appraised in 1929 by the Canadian Appraisal Company."

—the entire plant being given a replacement value of \$1,777,612.34, and a depreciated value of \$1,327,206.24. The buildings and machinery have been kept in excellent condition.

### *History*

Since the business was founded in the year 1860 by the late Mr. John Inglis, the plant and operations of the company have undergone important expansion. In addition to the established lines of steel products which have been manufactured by the Inglis Company, the company now intends to enter into the manufacture and sale of various kinds of mining machinery and equipment, for which the demand in Canada is increasing rapidly. The company is rapidly re-establishing itself with its old customers and the management is entirely satisfied with the volume of new business which has been obtained since the reopening of the plant.

### *Management*

The business of the company is under the management of its president, Major James E. Hahn, well known industrialist, and the engineering staff and other chief executives include some of the principal officers and engineers who have been engaged in the business for many years. The company also has the advantage of close co-operation and assistance from the Enfield plant in England in the operation of its new arms plant and the production of the Bren gun.

### *Contracts*

In addition to its regular commercial business, the company has the benefit of certain contracts secured by it from the governments of the Dominion of Canada and the United Kingdom, providing for the establishment of an arms plant and the manufacture by this company for them of the Bren gun. The special plant, machinery and equipment is being erected and installed in one of the company's buildings and is being furnished by the two governments on the basis of two-thirds from the Canadian government and one-third from the government of Great Britain. The governments will retain the title to the machinery and equipment installed in the Inglis plant, on the condition, however, that the company will have the right to the use of the machinery and equipment when not required for the carrying out of arms orders and on payment of reasonable compensation for such use. A separate building with necessary addition will be especially equipped for the manufacture of the Bren gun and this operation will not interfere with the conduct of the company's general business. The present contracts call for the manufacture of 7,000 Bren guns for the Dominion government and 5,000 Bren guns for the British government. It is a provision—

I would emphasize particularly this, in view of the suggestion that no manufacture of Enfield rifles is contemplated.

... of the contracts that the plant must be equipped for making Enfield rifles, pistols and other small arms. These Bren gun contracts are based on cost plus ten per cent. "Cost" includes all costs necessarily incurred under the contracts, such as salaries, wages, royalties, depreciation, taxes, engineering, maintenance, repairs, etc. It is anticipated that a considerable portion of the necessary tooling will be handled by the company in its own machine shop. The company has a licence to manufacture the Bren gun for a period of ten years, renewable thereafter on the consent of the British and Canadian governments.

### *Capital Issue and Finances*

The business and assets of the company represent a cost to it of \$1,400,030 represented by the payment of \$100,058 in cash, the giving of a first mortgage of \$150,000 principal amount, covered by an issue of 6

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per cent bonds and by the issue of 191,662 shares of common stock at the price of \$6 per share. A further block of 58,333 treasury shares has been firmly underwritten at the par value of \$6 per share, to provide the working and other cash capital required to carry on its operation.

Major James H. Hahn, D.S.O., M.C., President, is a graduate of Osgoode Law School. He was overseas from 1914 to 1918. Went overseas with the first infantry battalion and for the last three years of the war was on the general staff of various formations of the Canadian corps. Major Hahn founded deForest Crossley Radio Corporation, which was later sold to Rogers Majestic, when he acquired the largest individual interest in Rogers Majestic, which, it is understood, he retained until 1936, when he disposed of his entire interest in that company. At that time he headed a syndicate which acquired the assets of the John Inglis Co. Limited.

He has had associated with him since 1923 Mr. A. L. Ainsworth, who was vice-president of the deForest Crossley Radio Corporation and subsequently was president of that corporation when the merger with Rogers Majestic was consummated. Mr. A. L. Ainsworth is now vice-president of the John Inglis Co. Limited.

Mr. West, the controller of the company has been associated with the John Inglis Co. Limited for a period of twenty-nine years and Mr. McKenzie, the chief engineer, has been with the company for fifteen years.

The chief general technical personnel has been retained. This personnel has been further supplemented by technical experts who have been obtained abroad for the Ordnance division which will manufacture the Bren gun. The company will have technical skill to apply to steel production and fabrication probably without counterpart in the Dominion.

Major Hahn is also president of Properties Holdings Limited; is president of the Toronto Symphony Orchestra Association, Vice-Commodore of the Toronto Canadian Yacht Club and is on the board of the Toronto Art Gallery.

Q. Is that the end of the article?—A. That is the end of that promotional statement.

Q. Was that statement used in the sale of stock of the John Inglis Co. Limited?—A. Yes.

Q. What have you to say as to its accuracy?—A. I say it is most inaccurate. I say it absolutely fails to disclose the bankruptcy of this company, the real condition of the company. It refers to values that were placed on the old company with an established business. There is nothing to indicate that that business was not continuing. It suggests that it is a continuing company with a continuous record of production, and as you well know, such a concern has an entirely different value than the value to be placed on an old concern being revived by any group of men who have lost the continuity, the good will, and such an organization with its establishment. After all, in any business the efficiency of production depends very largely on personnel, and they are a big contributing factor to the efficiency and the operating success of a company. And this gives the impression that the present value is \$1,400,000—which is utterly false. This company had been bought just before for \$250,000, not the way this described.

Q. And under the Bren gun contract the value as placed by the government on it was \$280,000.—A. Yes. You will remember that an attempt was made to establish a valuation for depreciation purposes based on this boosted value, and that very properly Mr. Elliott and others on the committee refused



to permit that to be done, and insisted on the fact that the proper valuation of this company must be the valuation it had secured on the actual price paid for the assets.

Q. Was any stock sold by a firm known as Pooler and Company?—A. Oh, yes. Pooler and Company are the most ingenious brokers. They were the first to take advantage of that article of mine which appeared in *Maclean's* and to try to turn it to their advantage, and they made use of the article for the purpose of trying to sell stock.

Q. Of your article?—A. Yes. A day or so after the advance copies of this article appeared Pooler and Company issued a circular which was exhibit 339 which said at the top, "Members, the Toronto Stock Exchange," E. H. Pooler & Company, and this is a "Memorandum *re* John Inglis Co. Limited."

Q. What date was that?—A. That is dated August 24, 1938. I think the article, as has been explained—these magazines come out about a week before the date they bear—had come out either that day or the day before and they then issued and sent out this circular with a marked copy of the magazine article attached; and now this is headed, "Memorandum *re* John Inglis Co. Limited." And then they go on to quote from the article in which I said what profits could be made in this venture as a basis for encouraging the sale of stock, and as one of the things which they themselves cite as grounds for creating interest from the investment point of view, as of that date. They say, "in the current issue of *Maclean's* magazine, dated September 1, there is a lengthy article"—

*By Mr. Homuth:*

Q. Is that the start of their statement which you are now reading?—A. It is not lengthy, I will read the whole thing if you wish.

*By Mr. Green:*

Q. This was the statement sent out to prospective buyers of the Inglis stock?—A. Yes, by this brokerage company, along with a marked copy of the magazine.

*By Mr. MacInnis:*

Q. Was that an exhibit?—A. Yes, that was put in, sir.

Q. What is the exhibit number?—A. 339.

*By Mr. Factor:*

Q. Were many shares sold?—A. I could not tell you that. They sold some stock; but as to how much effect the circular had, I cannot tell you that.

Q. How much stock did they sell?—A. They didn't sell a great deal. Immediately the controversy arose the sale of stock stopped entirely.

Q. How many shares did they actually sell, do you know?—A. I could not tell you the exact number. I do not think that was given in evidence, Mr. Factor.

Mr. BROOKS: They did sell about 3,000 odd shares.

The WITNESS: Not under this. I am merely reading this as evidence of the fact that this was taken apparently as a statement which could be relied upon as to the investment possibilities of this stock if it went ahead. It says:—

In the current issue of *Maclean's* magazine, dated September 1, there is a lengthy article on the John Inglis Co. Limited, entitled "Armament Mystery," written by Lt.-Col. George A. Drew.

The Article on John Inglis Co. Limited and its Bren machine gun contracts with the Canadian and British governments—while savouring of a political aspect—will be found interesting from an investor's standpoint. We quote hereunder excerpts from this article:—

[Lieut.-Col. George A. Drew, K.C.]

. . . . A contract was signed between the Canadian government and John Inglis Co. Limited, of Toronto, which provided for the manufacture of 7,000 Bren machine guns. . . . A similar contract with the British government called for 5,000 more guns. . . .

. . . . Hon. Ian Mackenzie, the Minister of National Defence, described the Canadian contract as one of the finest contracts that has ever been signed in the public interest of Canada. . . .

This company accepts the responsibility of becoming the only source of the essential arms for Canada's land forces. . . .

. . . . The Canadian and English contracts appear to limit the profit to 10 per cent with an overall limitation of \$457,000 for the 12,000 guns covered by the two contracts, but there is another provision which overcomes that limitation. . . . It is clear that this is likely to add a very substantial figure to the profits. . . .

. . . . Its only likely effect is to increase profits for the company. . . .

Let me point out that that did not give the picture as to how that was worked out.

. . . . The least that can be said is that the contract is extremely favourable to Major Hahn and his company. . . .

. . . . The Inglis company is to be equipped not only for the production of Bren machine guns,—

Now I am interrupting my reading of this; this was the broker's circular going out for the purpose of inducing the sale of stock in the Inglis company.

—but also for the production of Enfield rifles and other small arms.

. . . . As the cost of 200,000 rifles, which would be our approximate requirements, would be at least \$5,000,000, further interesting prospects of profits are opened. . . .

. . . . The greatest opportunity for large profits lies in the stock of the company. . . .

. . . . Profit of \$457,000 for the five-year period in which the 12,000 guns are to be delivered, is extremely moderate. . . . But as has been pointed out, there are other profits. . . .

Of course, I might say that that was a complete distortion of what I said. I was quoting Mr. Mackenzie but they took it as a statement apart from the context.

Through any market stimulation this stock should sell up to \$25 a share, which would not be a very difficult market operation. . . .

. . . . While the contract was arranged by the Department of National Defence . . . Cabinet must have approved of the contract before it was signed. . . .

Now, this broker who had done this was using this statement for the purpose of stimulating the sale of stock. I suggest that that offers the very best possible example of exactly the type of thing that makes the manufacture of weapons of this kind in a privately organized company of this nature an extremely dangerous thing from the public point of view; because the way these brokers took up this statement is the best possible evidence of the fact that in stimulating any demand for arms or anything of that kind they do it only for the purpose of increasing the value of the stock, as has been done in this case; and as everyone knows the public demand for the ending of this abuse of profiteering in stock of companies engaged in the production of Bren guns or related weapons grew out of experience during the great war and the knowledge that came after the great war of the way the public interest had been sacrificed to the interest of promoters of companies of this kind; and notable in Canada

was the Ross rifle company where because of the fact that it might have affected their profits they did not carry out changes that were required for the improvement of the rifle.

*By Mr. Green:*

Q. To sum up the situation, what would you have to say as to this whole set up as a stock-selling proposition?—A. I have said that never in my experience, and I have quite a bit of it, never have I seen a worse set-up than this from the point of view of stock-selling and stock watering. I never saw a worse case of that, and in fact it is axiomatic in the department that where they have an application before them to permit the sale of stock in a new company of this kind which has financed itself in this way they have a rule that they will not permit over a bare majority to be issued as vendor's or watered stock; and I know from personal contact with the commission that it has been also the rule of this commission; and so far as I know this is the first case where that rule has been varied. As I have said before, there is a great deal of argument as to whether or not the watering of stock can be justified in any event.

MR. FACTOR: None of the vendor's stock was sold, just the promoter's stock.

THE WITNESS: You are not suggesting, I hope, Mr. Factor, that there was no intention of getting this vendor's stock out of the bank?

MR. FACTOR: As a matter of fact none of the vendor's stock has been sold. There was some 3,000 odd shares sold by the brokers.

THE WITNESS: The sum is not very great; and the reason for that is that before they had an opportunity of getting it released this article was written and the inquiry started. That was the reason it wasn't out; because if you will examine the correspondence in regard to the holding of this stock you will find that it was only required that the stock should be held until such time as the company was adequately financed, and as it has been stated that the company would be adequately financed by the issue of treasury stock, then as soon as the treasury stock had been subscribed for they would have complied with the condition upon which it was provided that they were to be released by the Securities Commissioner.

MR. MCGEER: That was not the opinion of the Attorney-General of Ontario.

THE WITNESS: What was your question? Were you asking a question?

MR. MCGEER: I say that was not the opinion of the Attorney-General of Ontario.

THE WITNESS: Certainly there is nothing to the contrary that I know of.

MR. MCGEER: Let me quote to you from a published statement by him under date of April 27, 1939, appearing in the *Toronto Daily Star*. The heading is,

# CONANT WON'T FORBID SALE OF JOHN INGLIS CO. STOCK

*Says it's Doing Good Work Building Up Ontario Industry.  
Has No Complaints.*

The Ontario Attorney-General's Department plans no action against the John Inglis Co. of Toronto.

Attorney-General Conant told the legislature to-day. Col. George Drew, Conservative leader, had asked the Ontario securities commission to prevent the sale of stock in the company.

I am not seriously or directly concerned with the details or the exact merits or demerits of the Bren gun contract, said the Attorney-General. Evidently there was no corruption in connection with it. Whether it was a prudent or expedient contract is for the federal authorities to determine.

[Lieut.-Col. George A. Drew, K.C.]



I do know, however, the Inglis Co. has built up a very creditable plant employing over 250 workmen at the present time with an average monthly payroll of about \$31,000 and with an average wage scale of approximately \$27.50 per week. This is an important factor in our present employment and industrial situation.

I am not disposed to do anything likely to curtail their operations or to reflect upon their apparent efforts to build up an Ontario industry, unless the facts and circumstances reasonably and properly warrant such action. By terms of escrow with the Bank of Montreal the 184,162 shares or 73.6 per cent of the authorized 250,000 shares capital stock held, can only be really released on the written consent of the Securities Commissioner, the attorney-general said.

He said no one but Colonel Drew had complained about the "informational statements" used by Cameron, Pointon and Merritt, brokers, some time in August, 1938.

So you apparently put this whole matter before the Attorney-General's Department of Ontario and he did not agree with you?—A. He does not agree with me, and he is quite wrong in his decision. As a matter of fact, Mr. McGeer, I think I could bring here quite a few statements made in the Ontario legislature with which most of the people here will disagree; that is, at least on your side of the house.

Q. I know, but what I am pointing out to you is that if there is the fraud that you say there is, it was the duty of the Attorney-General of Ontario and the Securities Commissioner of Ontario to deal with it.—A. And I say it is their duty, and have said so.

Q. And they say that you are the only one who is complaining, and you have not got a dollar in the company?—A. Well, you are getting into argument now. We will argue that, if you like. You are giving evidence again. What was your question, Mr. McGeer?

*By Mr. Green:*

Q. The total proportion of watered stock in this company is about 76 per cent?—A. 76.6 per cent. And I repeat that is wholly watered stock to the value, according to figures that they themselves have put on it, of something approaching one million and a half dollars.

*By Mr. Bercovitch:*

Q. It is not worth anything like that, according to you?—A. It certainly is not.

Mr. BERCOVITCH: So they are not making the millions you speak of.

*By Mr. McPhee:*

Q. What is the fair valuation you would put on the property, Colonel Drew?—A. If I were asked to place a valuation on this property I would do the sort of thing that I suggest the Department of National Defence should have done in this contract. I would go to somebody who knew something about that sort of thing. I would go to a proper valuator and have a valuation made to-day, not in 1929, on a company with which they had no connection.

*By Mr. McGeer:*

Q. What interests have the Department of National Defence in the commercial branch of this company? Are they interested further than the Bren guns?—A. Mr. McGeer, if you had followed the discussions which have taken place over a period of years, and particularly before the League of Nations at Geneva, you would have found that the main objection to the private

manufacture of weapons of this kind is just the fact that there can be such profiteering and racketeering in companies of this kind. And in answer to the suggestion you made yesterday, a lot of the worst racketeering has been done by companies which were extremely efficient from the industrial point of view. The man who was the grand salesman of death of the whole world, Zaharoff, and who controlled Vickers during the war, a British company, and also had huge holdings in Schneider Cruesot in France, Krupp's in Germany, Loewe in Germany, Bergunhutton in Austria and Putilov in Russia—taking it from all sides, knighted by Great Britain, he ran efficient companies, but by his stock racketeering took off millions on both sides which went into his pocket and were paid by some of the men who were serving and by members of whose families were serving. And those of us who were opposed to this type of racketeering are those who are complaining now of a state of this kind.

Q. You do not say anything about the interdepartmental committee. You do not say anything about the limitation of profits, and you do not say anything about all the controls which the government has taken in this contract, and you know that all those things are done solely for the purpose of preventing the kind of exploitation which you think is involved here but which nobody else thinks exists.—A. Well, that is not so, but of course—

Q. That is, nobody in a position of responsibility.—A. Oh, yes, Mr. McGeer, you have heard the president of the Maclean Publishing Company make his statement here.

Q. Yes, but I am talking about the Honourable H. H. Davis and the Attorney General of the province of Ontario, both men charged with the responsibility of investigating this very thing. Both have heard you, and all the evidence that you gave this morning was before the Davis Commission.—A. I do not think you could have read his report. You will find that what has been referred to you, and by now I would have thought you would have known the fact in regard to these things, is as to whether the public was protected. That is expressly what he has referred to the government, and that in turn has been referred to this committee.

*By Mr. Green:*

Q. And the finding was that there was no protection against the sale of stock?—A. None whatever.

Mr. HOMUTH: Mr. Chairman, that has been conclusively proven before this committee. The interdepartmental committee was more or less concerned about the sale of stock; they thought they had stopped it and they find out now that they have not.

*By Mr. Green:*

Q. Colonel Drew, this brings up the discussion which was raised yesterday in regard to what was and what was not—A. I am sorry, I cannot hear the question at all.

Q. This discussion brings up the point that was raised yesterday—A. I cannot hear your question, Mr. Green.

Q. This discussion brings up the point which came up yesterday, just what is and what is not considered the private manufacture of armaments. I wonder if you would explain your opinion on that.—A. There is no question about it that this is a private manufacture of arms and it is manufactured by a private company in the strict sense.

*By Mr. Factor:*

Q. Uncontrolled by the government?—A. Just compose yourself a minute and I will answer this question and then answer the next.

[Lieut.-Col. George A. Drew, K.C.]

Q. Always composed.—A. I know you are, Mr. Factor. I would refer to exhibit 157, which is composed of three letters put in together. The first was a letter from Colonel Vanier to Lafleche, dated the 23rd of June, 1937, enclosing a war office letter to him. The war office letter was dated 22nd June, 1937, enclosing a letter to the war office from the Czecho-Slovakian company in Brno which controlled the licence. This is the letter. I shall not attempt to pronounce the name of the company, but this is the letter written by the Czech company to the Director of Army Contracts and it says:—

BRNO, 19th of June, 1937.

CESKOSLOVENSKA ZBROJOVKA, A.S.,  
BRNO.

The DIRECTOR OF ARMY CONTRACTS,  
Caxton House West,  
Tothill St.,  
Westminster,  
London, S.W.1., England.

GENTLEMEN,—We beg to refer to your est. letter of June 10, Ref. No. 57/S.A. 792/D.A.C.C./ and take pleasure in informing you that we agree principally with your request to extend the Agreement of May 24, 1935, under which your department was licensed to use certain patents relating to the light machine gun Bren, tripod and filling machine and to manufacture that gun, etc. with the understanding that the Secretary of State for War may grant and license the Canadian government to have the Bren gun, tripod and filling machine manufactured by a third party in the Dominion of Canada.

As, according to your letter, the gun would be manufactured by a private firm we beg to have the kindness to let us know in which way it will be possible for us to control the number of manufactured guns in connection with the payment of royalties.

Looking forward to your kind information in this respect, we beg to remain always with greatest pleasure at your service.

Yours very faithfully,

CESKOSLOVENSKA ZBROJOVKA, A.S.

Now, I merely read that to point out that this letter was in reply to a letter which had been sent by the Director of Army Contracts to the Czecho-Slovakian company at the request of the Deputy Minister of National Defence who visited that office; I believe it was June 8. They wrote on June 10 this request to get permission to extend the licence to a private company in Canada because the contract between the Czecho-Slovakian company and the war office under which they could have given a licence in Canada without further permission only permitted the manufacture in a government owned establishment. They use the words "private firm" of course, they had at that time this particular proposal in mind and also I may say that the judge quite clearly indicated that this was an issue as between private and public company in regard to manufacture of arms which he definitely referred back to the House of Commons to decide and which, of course, then is in turn before this committee.

Whether these Bren guns should be produced by the government in a publicly owned and operated factory or should be obtained through private manufacture is undoubtedly a matter of administrative policy for the government and parliament and is a question which is not open to me under the commission. But if one is to inquire into the preliminary discussions and negotiations leading up to and the completion of the contract in question, it is relevant as part of the narrative to know what were



the views of the chief of the general staff and of recognized voluntary associations of officers of the land forces in Canada which were made known to the department.

The judge had all this discussion before him in regard to the special protection here, and he drew no distinction in that regard, but drew a clear distinction between private and public ownership of arms industry. That is found on page 10 of the judge's finding.

Q. If you also look at page 51 you find that he says in his final words:—

What is plain to me at the end of this long inquiry is this: that if the policy of private manufacture of war munitions and armaments is to be continued in this country. . .

and so on. This obviously contains what he thought.—A. Right through the judge used the words "private manufacture" in relation to this with the contracts in mind.

*By Mr. Factor:*

Q. As distinguished from public?—A. As distinguished from government arsenals.

Q. Do you think that this contract provides for private manufacture, using that term in the ordinary sense?—A. Using the term in the ordinary sense in relation to the manufacture of armaments, because I know of no country where arms manufacture are private where they are not subject to the most rigid inspection by government, as they are in this case.

Q. Mr. McGeer pointed out to you about 25 or 30 provisions which control, limit and supervise the production of the guns in this contract.—A. That is quite easy to say. Just let me see where.

Q. Not usual, very unusual terms.—A. Just a minute. Let me answer that. You will see in regard to arms contracts—and one of the attempts to wave the magic wand of war office over these proceedings, as it was at the Davis inquiry, was the suggestion that the protection here was the protection used by the war office in regard to the manufacture in plants of a similar type. Now, you cannot have it both ways.

*By Mr. Green:*

Q. A similar type of control and inspection is used in Great Britain, is it not?—A. Yes.

Q. Have you the findings of the Royal Commission investigating the private manufacture of arms in Great Britain?—A. Yes.

Q. I think you will find recommendations there dealing with that particular point, pointing out that the government, in private manufacture, exercises certain types of control?—A. Just as rigid as in this present contract.

Q. And in the findings of the Royal Commission in Great Britain they laid down a policy which has been very largely adopted since?—A. And which in my opinion might very well be adopted here. They refused to agree that there should be nationalization of the munitions industry or that in Great Britain where, through hundreds of years, private companies have been built up for the manufacture of weapons themselves, that it was practicable to take these over immediately. They agreed with the objections that were in this type of production, but what they most emphatically laid down was that step, that there should be no abuse, that the certain assurance of the government must be that they shall have government plants capable of making armaments or weapons of every type, at least in some quantity, so that they themselves could control the development of design and so that they in turn could operate in developing the industry within the country.

[Lieut.-Col. George A. Drew, K.C.]

Now, since you have asked that question, I do ask to put this on the record again. I repeat, there is the greatest confusion in regard to this subject in the minds of the public, and this is one in which this committee could help to enlighten the public, the distinction between weapons and munitions. I am referring to the continued advocacy of the manufacture of weapons as distinguished from munitions as a whole by the general staff of Canada, made up of highly competent officers, and I want to put this on the record now, that the present chief of the general staff with the head of the air, the head of the navy, and the other general staff officers who have taken part in this recommendation for an arsenal are highly qualified, and are as splendid soldiers as there are any place in the world to-day. I am urging that their recommendations be given some weight in looking at this matter. They are the general staff. No matter how excellent the qualifications of others may be who have taken part in this, these are the men who are the professional soldiers, who know the needs of the army. The job, though, of providing the weapons with which to equip that army is an industrial job. The arms, the killing weapons, the weapons that have no use but killing, the weapons that have no market but governments, for which the sale cannot be stimulated by means other than normal industrial stimulation of sales, these are the things which these competent officers concerned with the protection of this country have demanded should be made in government arsenals, and this is the proposal that I have mentioned in connection with this, in connection with munitions as a whole.

Then, in regard to this, the organization of needs of the forces, can best be obtained from those professional soldiers, highly qualified professional soldiers, all of them men who have had opportunities of training and learning their soldiering in Great Britain as well as here.

The CHAIRMAN: May I interrupt the witness? Time is passing, and he had the opportunity, I think, the night before—

Mr. McGEER: This is all repetition of his former evidence to this committee.

The CHAIRMAN: All he is saying now is on the record. I think in fairness to the members of this committee that we should pretty well adhere to the questions and explanatory remarks on the questions. I do not feel that any good purpose would be served by placing the whole thing on the record again.

Mr. MacNEIL: This is evidence right on the point, on the point referred to this committee.

Mr. McGEER: The evidence has been repeated, as every member of this committee knows, almost word for word. It is not a case of interpreting a statement which the witness put on. Surely this committee does not have to hear the same evidence over and over again.

Mr. GREEN: I think there can be no objection to Col. Drew answering a question dealing with private and public manufacture of armaments.

Mr. McGEER: He has already dealt with that.

Mr. GREEN: It is not necessary to go into great detail on that, but that is probably the one aspect of this whole inquiry that is really not partisan at all, because it cuts right across all parties. It is probably the most important feature of our whole program. If Col. Drew confines his remarks to the public and private manufacture of armaments and does not go too far afield, I would ask that he be allowed to complete his answer.

Mr. BERCOVITCH: We have had two hours now.

The CHAIRMAN: I heartily agree with my hon. friend. I agree with every word he has uttered.

Mr. GREEN: Hear, hear.

The CHAIRMAN: But I submit that if he will just turn back to the record, I think of Tuesday, he can read word for word what the witness is saying now. I want to get my hon. friend back to Vancouver.

Mr. GREEN: I want to get back.

The CHAIRMAN: I want to get him back to his practice where he can be paid for his orations. I am not trying to be unreasonable.

Mr. GREEN: Thank you very much, Mr. Chairman.

The CHAIRMAN: I am not trying to interfere at all. But it does seem to me that this is repetition. The committee can read what the witness has said. I quite appreciate the witness's viewpoint. He is entitled to it. He believes in public ownership and public operation, which is quite within his jurisdiction.

The WITNESS: Would it help at all if I told you that I had finished the statement?

The CHAIRMAN: I do not know how many statements you are going to finish.

The WITNESS: I have finished what I was saying in answer to the question.

Hon. Mr. STEWART: Is this really not calculated to clear up the contention of Mr. McGeer that this contract could be considered as government manufacture?

Mr. FACTOR: He has already cleared that up half an hour ago.

Mr. McGEER: I did not say it was government manufacture.

Hon. Mr. STEWART: That was the tenor of your whole argument.

Mr. McGEER: I said it was government ownership with private operation. That is the way it is described in the British war office.

The WITNESS: Where is it described as that in the British war office?

Mr. GREEN: That is a McGeer description.

The WITNESS: Mr. Chairman, I after all, am here at my own request; and after all I am the first witness outside of those called from the department and so on by those who are trying to sustain the contract, and I think I have given some evidence that I have some knowledge of.

The CHAIRMAN: Excuse me, Mr. Witness, but let me say to you that there has been perfect freedom in this committee.

The WITNESS: I think you have done very well.

The CHAIRMAN: There has been perfect freedom in this committee and the witnesses who have appeared before this committee have appeared at the request and by the unanimous decision of members of this committee. There is no doubt about that.

The WITNESS: Mr. McGeer just said that is the way it is described in the war office. He took a lot of time yesterday talking about this, and I suggest if he is going to make that statement he tell us where it is so described in the war office.

The CHAIRMAN: The only objection I make is when you infer that the other witnesses that appeared before this committee have appeared at the instigation of some hon. members that belong to one school of thought; it is not right.

Mr. GREEN: Remember your promise to get me back to Vancouver, Mr. Chairman.

The CHAIRMAN: I am certainly going to try to do that.

Mr. FACTOR: Go on and ask your questions.

[Lieut.-Col. George A. Drew, K.C.]



*By Mr. Green:*

Q. Col. Drew, I want to refer you again to your article and to the final questions which you submitted in that article. I should like you to tell me in each case whether the question has been answered. The first one is: "Why did the Canadian government depart from its stated policy that the manufacture of primary implements of war should be confined to state-owned establishments?"—A. That has been explained in evidence which was not available then; because they decided to make this contract with Hahn and his associates.

Q. The second one is: "Having decided that it should foster the private manufacture of military weapons, why did it choose Major James Emmanuel Hahn, whose industrial experience was confined to the manufacture of radios, instead of choosing men with years of experience in the manufacture of rifles who are available?"—A. No effective answer has been given to that yet.

Q. The third is: "What were the arrangements with Major Hahn or his company which called for a payment of up to \$20,000 for services rendered before the signing of the Bren gun contract?"—A. That again has not been answered because while there is a provision in the contract for pre-contractual expenses and it is emphasized that there was no arrangement, yet we find that Major Hahn presented a bill of over \$20,000—of course, \$20,000 would be the limit that would be payable—including one of \$7,000 odd for one trip to England in connection with this.

Mr. McGEER: It has not been paid. It has been turned down.

Mr. GREEN: Not yet; not turned down.

Mr. McGEER: That is what you say, but the evidence is to the contrary.

The WITNESS: Major Hahn presented a bill in which there was a payment of \$7,100 odd for a trip to England in 1937 in connection with this and in which, amongst other incidental expenses, he charges \$50 plus expenses for the first day here in Ottawa on which he accidentally happened to see the Bren gun in General LaFlèche's office.

Mr. BERCOVITCH: What were your expenses in Ottawa, Colonel Drew?

Mr. McGEER: Paid by *Maclean's* magazine.

Mr. HOMUTH: What has that got to do with this?

The WITNESS: They were my out of pocket expenses. I was not charging \$50 a day to the government.

*By Mr. Bercovitch:*

Q. I am not suggesting you were. I am merely putting the question to you.—A. I can find out for you.

Q. Well, approximately? I will not hold you down to a cent or a dollar.—A. I should imagine it would be whatever the expenses were here. Probably over the long time involved, they might have been somewhere probably between \$600 or \$1,000, something like that.

Q. \$600 or \$1,000.

Mr. GREEN: Mr. Hahn got his expenses plus \$50 a day.

The WITNESS: They were paid not by the government. I cannot tell you now what they were. I can tell you if you want me to find out.

*By Mr. Green:*

Q. Returning to those questions, the fourth one is: "For what consideration did Major Hahn receive 107,964 shares of stock in a company which is now dependent upon public money for its present existence and ultimate profits?"—A. For no consideration.

Q. Number five is: "Who owns the shares issued to Investment Reserves Limited?"—A. That is explained by the fact that the shares now standing in the name of Investment Reserves Limited belong to Hahn and the other promoters.

Q. The next one is: "Who are the shareholders and real directors of Investment Reserves Limited?"—A. Just a minute, I cannot hear for this choral outburst here.

Mr. GREEN: I wonder if we could have order back here.

Mr. McGEER: Mr. Chairman, I should like to make a motion this morning. I want to move that on the adjournment we call Col. LaFlèche to answer the charges that have been made against him. My reason for doing that is that it seems to me that this committee is placed in a very difficult position. At the last dying days of the session a high official of the Canadian service, holding the position of the permanent official responsible for the defence of the nation, has been charged with untruths, not only before the Davis commission but, I understand, now before this committee. The charges—although I thought they were cleaned up—that were made before the Davis commission have been repeated here. It seems to me that the committee must face one of two situations: either they are going to allow the defence of Canada to be continued under the control or under the direction of an official placed in that position, which would be extremely dangerous, I would think, to the whole security of the nation; or we must conclude that the charges are not warranted. Now, I think we are faced with the problem of accepting the charges, which would mean a recommendation for the dismissal of the Deputy Minister of National Defence; or, if we can't deal with the matter we would have to suspend him and have someone else in his place; or we could make a finding that the charges against him are unwarranted. And in view of the fact that the house will adjourn to-morrow it does seem to me that that official should be given an opportunity to speak for himself here before this committee. Now, there was no intimation from anybody that such charges would be made; on the contrary we were assured time and time and time again that no such charges were contemplated, no such charges were even suggested. I therefore move, Mr. Chairman, that the committee adjourn until 2.30 o'clock this afternoon and on resumption of the committee's sittings that Col. LaFlèche be called, to be followed by Major J. E. Hahn.

The WITNESS: Mr. Chairman, as I am here at my own request—

Mr. McGEER: Mr. Chairman, you cannot allow the witness here to interrupt; I mean, he can take no part in the deliberations of this committee.

The WITNESS: Mr. Chairman, you know it is a fact that I am here at my own request—

The CHAIRMAN: I will ask the witness to take his seat.

Mr. GREEN: I think this is a rather unusual procedure.

Mr. MACNEIL: Extraordinary.

Mr. McGEER: But there are charges.

Mr. GREEN: I am just about through with Col. Drew, and before I have quite finished Mr. McGeer gets up and makes a motion which has the effect of shutting off that evidence. If that is not high-handed action I do not know what is. I submit that his motion is out of order until such time as we have finished with Colonel Drew, because it amounts to a shutting off of the hearing. Mr. McGeer took up last evening. We would have been finished with Col. Drew last night, in fact the night before. Col. Drew is here at a great deal of inconvenience to himself, and Mr. McGeer took right up until 11 o'clock last night so we had no chance to ask the questions we wanted answered; and now to-day we have had Col. Drew for an hour and a half, and a good part

[Lieut.-Col. George A. Drew, K.C.]

of that time has been taken up with interruptions from the same Mr. McGeer, and then he gets up and makes a motion that Col. Drew's evidence be cut off and that we go on and take somebody else. I suggest that is quite out of order.

Mr. SLAGHT: I suggest that Mr. McGeer's motion stand and that we let Mr. Green finish.

Mr. MACNEIL: Mr. Chairman, I want to protest Mr. McGeer's motion. All through our proceedings he has monopolized the time and attention of the committee and we have acceded to his request that he should continue his examination without a break. A number of us have been sitting here desirous of asking Col. Drew some questions. Now, I intend to assert my rights as a member of this committee and in due course to ask those questions I desired to direct to Col. Drew as one of the important witnesses appearing before this committee. I will not be gagged; and if any attempt is made either by him or by any other member of this committee to do so we will take the usual procedure and appeal to the house, and if necessary we will appeal to the country. We are not going to be shut off by a motion of this kind.

Mr. BERCOVITCH: May I say a word in this matter? While I can understand that if the motion is carried it would seriously inconvenience my friends, the gentlemen who are acting in opposition to the government, and probably inconvenience Col. Drew; none of us want to do that; but on the other hand, as Mr. McGeer in my humble opinion has very properly pointed out, this is an extremely serious matter and one that could not possibly have been anticipated in any way; no one for a moment believed that Col. Drew would go so far as to reiterate the accusations that he made before the Davis enquiry, something which he positively did; and now this has gone out to the press throughout this country—

The WITNESS: I did reiterate them, exactly.

Mr. BERCOVITCH: Please do not argue with me.

The WITNESS: I have a right to correct a misstatement.

Mr. BERCOVITCH: Now, just wait a moment; you have reiterated the charges that were made before the Davis inquiry—

Mr. MACNEIL: By request.

Mr. BERCOVITCH: And the defence of this country is of much greater public interest and of much more vital importance than the private interests of either Col. Drew, or even of any member of this house, or of this committee; and I think that that is something that this committee wants to take into consideration. The suggestion is made by my good friend Mr. MacNeil that we were trying to impose a gag or to force a gag down the throats of the members of this committee and that charge is entirely unfounded. I am sure that on more mature reflection my hon. friend (Mr. MacNeil) generally so fair, will not for a moment persist in that statement. There is no intention to gag anybody; but there is something that I consider of probably the greatest importance, and that is what Mr. McGeer mentioned; the defence of this country is at stake, and that is something really important. After all, it has been pointed out at some time during this inquiry that General LaFlèche was a very distinguished French-Canadian coming from the Province of Quebec, and I am just wondering what reaction this is going to have on the people of the Province of Quebec.

Mr. HOMUTH: Oh, now, that is the same old story, I protest against that.

Mr. BERCOVITCH: I am pointing out that I believe that in the Province of Quebec this will be a matter that the people of the province will consider as of great importance; and I think that Col. LaFlèche should be given, in fact must be given an opportunity of being heard before this committee adjourns.



Mr. MACINNIS: Mr. Chairman, I just want to say right here that Mr. McGeer is not going to put a thing like this over on us—

Some Hon. MEMBERS: Order, order.

Mr. MACINNIS: Just a moment—if there was any reference to General LaFlèche he brought it upon himself by making his charges first. After all, this committee was not brought together to deal with General LaFlèche, it was brought together to deal with matters affecting the defence of this country. That is what this committee was brought together for; and if anything has transpired in connection with General LaFlèche it is not the business of the committee to deal with it, that is the business of the government. What the committee was set up to do arises out of the report of Mr. Commissioner Davis, and I will read it to you as follows from page 50 of the report of the commissioner:—

What is obvious, of course, is this: that if the government has an article to be manufactured for which by its very nature it is not practicable to call for tenders and the policy of private manufacture is to be adopted, then at once the heaviest sort of responsibility falls upon those charged with the duty of selecting the individual, firm or corporation to manufacture the article. The question is: Were proper and sufficient steps taken in this case to discharge that responsibility? Upon the whole evidence, that is a question for the government and parliament to pass upon.

That is the question that was referred to this committee; and it is not a question of General LaFlèche's integrity or otherwise, that is something for the government to deal with; and this committee cannot adjourn, or cannot end its business, until we have dealt with this matter that was referred to us; it can only deal with matters which relate to the reference given to us from the house.

Mr. HOMUTH: Mr. Chairman, a motion has been raised by Mr. McGeer and Mr. Bercovitch that Col. Drew has reiterated the charges that were in his article. He made those statements in his article. The article was the subject of investigation by the Davis commission and the judge referred certain features of it to parliament, and those questions were in turn referred to this committee. And Mr. McGeer, Mr. Bercovitch and other members who have been interrogating Col. Drew ever since he has been here have said to him, "You made that charge, do you still stand by it"; and he said, "yes"; and throughout the whole article he had no reason apparently to change his mind regarding the question of this contract. Many of the people in this committee are of the same mind and a great many people in the country. There is only one way we can clean this thing up, and that is by having all the evidence that is available. There are other responsible people who should give evidence before this committee, and we expect to have the privilege of calling them.

Mr. MACDONALD: I move that the question be now put.

The WITNESS: Mr. Chairman, may I ask you for the right to answer statements that have been made before this committee. After all, I am here at my own request.

Mr. McGEER: Mr. Chairman, certainly Col. Drew has no right to participate, under the rules of the house.

Mr. MACNEIL: That is a gag.

Mr. McGEER: No, no; no one outside of members of the committee can take part in the deliberations of the committee. The motion before the committee for consideration now is the previous question, and that is not debatable, and I ask for your ruling.

[Lieut.-Col. George A. Drew, K.C.]

Mr. GREEN: Mr. Chairman, I am raising a point of order. I raise the point of order with regard to the original motion, which I say is out of order.

The government supporters here might as well face the fact that they are trying to shut off evidence here by that motion. That is the effect of it, whether it is meant to be so or not.

The CHAIRMAN: May I interrupt my honourable friend just for a minute. I really do not think his point of order is well taken. I cannot permit his point of order. The motion is obviously not debatable.

Hon. Mr. STEWART: Mr. Chairman, on a point of order. Parliament is said to be the highest court in the land. This is a committee of parliament, and if there is any place in which we are entitled to look for justice and for freedom of speech, it is in parliament. Now, what is the situation here? I say it is unparalleled.

Mr. McGEER: What is the point of order, Mr. Chairman? This is another speech. It is not a point of order. There is no point of order mentioned.

Hon. Mr. STEWART: I will come to the point of order if you will just sit down, please, while I have the floor.

Mr. McGEER: Let us have the point of order.

Hon. Mr. STEWART: The point of order is this. In any court of the land a witness must be and should be allowed to complete his statement. When that statement is completed then the situation may be quite different. But surely this committee, representing parliament, is not going to take the position, altogether irregular, illegal, without precedent anywhere in any court, that before a witness has completed his statement he is to be cut off, curtailed and shut out on a motion of this kind. That is my point of order. I think it is well taken and I insist upon it.

Mr. McGEER: Mr. Chairman, may I just intercept one word? What I am asking for is just the very justice and freedom of defence for General LaFleche, our Deputy Minister of National Defence, to which the honourable member has just referred.

Hon. Mr. STEWART: I am not objecting to that.

Mr. McGEER: We do say that when such serious charges have been levelled at the Deputy Minister of National Defence he should be given without delay an opportunity to respond to them. As far as the procedure of interjecting witnesses is concerned, Mr. Chairman,—

The WITNESS: You read the charges and asked me to confirm them.

Mr. McLEAN: Mr. Chairman, I was on my feet before Mr. Green was. He has been repeatedly talking on points of order and points without order. But on the point of order I want to offer this suggestion, and not as a lawyer. In dealing with the point raised by Mr. Stewart that in any court of justice in this land a witness must be allowed to complete his testimony, I agree with that. But Mr. Stewart will agree with me, I think, that in any court of justice in this land the witness is directed to answer questions and not to make long, repetitious speeches, repeating over and over and over again statements that have been put on the record probably scores of times. I could use words that would be justified, perhaps if they were more offensive than these, but I am not going to use them. I do protest as one of the committee against these long-winded speeches.

I agree with Mr. MacNeil and Mr. MacInnis that this committee should be free to bring out all available evidence, but I think that evidence should be limited to answers to questions.

Now, this motion that is before the committee is not debatable. I am speaking strictly on the point of order. If I might make a suggestion on that

point, I would say in the interests of all of us, it is now a little after 1 o'clock, and while I am prepared to support the motion if it is put, I think that the steering committee could perhaps straighten these matters out.

Mr. McGEER: I think we had better decide it now. Our time is short.

Mr. McLEAN: The question is very, very important. We have sat here a long time, and I am prepared to sit for another long time.

Mr. McGEER: Yes, but the house is going to adjourn to-morrow.

Mr. McLEAN: It cannot very well adjourn until this committee reports.

Hon. Mr. STEWART: Why should the house adjourn until this thing is finished?

Mr. McLEAN: I am satisfied to stay as long as necessary. I agree with Mr. McGeer that General LaFleche must be heard; Major Hahn must be heard, and if you, Mr. Chairman, succeed in getting from the committee the proper support that you should have in seeing that the witness answers questions and refrains from making speeches, I think it would help us to finish.

Mr. BROOKS: On the statement just made by the honourable member, ever since this committee has been in operation, we have had long statements. Mr. Elliott read for an hour a statement which he brought in here. The minister brought in a statement which he read for an hour and a half and we have had long statements from practically every witness. It seems to me a very strange thing at the very last day, or towards the end of this investigation, that witnesses should be directed to answer direct questions "Yes" or "No."

We are going to see that the same opportunity is given to this witness that has been given to every other witness who has appeared before this committee.

Mr. FACTOR: Mr. Chairman, all this debate is out of order. Mr. MacDonald's motion takes precedence.

Mr. MACNEIL: The motion moved by Mr. McGeer is debatable.

Mr. FACTOR: No.

Mr. MACNEIL: The motion moved by Mr. McGeer is debatable. It is an important motion and should be debated. If you will consult Beauchesne or Bourinot you will find that a motion that the previous question be now put is not to be put, and the speaker has ruled on several occasions it shall not be put when it is obviously designed to curtail legitimate debate. That is obviously the purpose of a motion that the previous question be now put. We have not had an opportunity of legitimate debate on the motion submitted by Mr. McGeer, and as it is 1 o'clock I suggest that the matter be deferred until we reassemble.

Hon. Mr. STEWART: Now, Mr. Chairman, we have over the years heard protests against closure and gag, and never have the protests been more vocal or loud than when they proceeded from the Liberal party, and here we have here—

Mr. GRAY: Are you going to listen to that stuff?

Hon. Mr. STEWART: I think so. What is this?

Mr. GOLDING: I want to speak to a point of order.

Hon. Mr. STEWART: This is an illustration of the application of the gag or closure. I protest against it; I say it is irregular; I say no notice of this has been given and we should have opportunity to debate the proposed question.

The CHAIRMAN: Now, gentlemen—

Mr. McGEER: There is another point I should like to draw to the attention of the committee. General LaFleche was on the stand giving evidence. We made way for Colonel Drew. As a matter of fact the proper witness before this committee is General LaFleche.

Mr. HOMUTH: You just thought of that.

[Lieut.-Col. George A. Drew, K.C.]



Mr. MACINNIS: Why did you not think of that yesterday, and the day before and the day before?

Mr. McGEER: What occurred was this. We got a telegram from Mr. Hunter on behalf of himself and Colonel Drew asking to be heard. We stood General LaFleche aside.

Mr. MACINNIS: That still stands.

Mr. McGEER: Mr. Chairman, there can be no suggestion of gag or anything else. The only suggestion that I have made is that those that are themselves responsible public officials be given an opportunity to be heard, and that is the only reason for making the motion.

The WITNESS: And you have given other undertakings to me which you have not fulfilled.

Hon. Mr. STEWART: If there is any delay—

The CHAIRMAN: May I ask the members of the committee to give me just about two minutes to see if I can clear this up. Gentlemen, we must admit with the array of legal talent around this table, it is with great reluctance that I attempt to try to meet the present situation, and I trust that you will bear with me for a minute in putting this motion until I try to put to you the situation as I see it. I believe it is agreed by every member of this committee that there is a great deal of force in the suggestion that has been made in connection with hearing the senior civil servants who have really been charged before this committee. That is a responsibility of the committee. Also, as one hon. member has just said, General LaFleche was before this committee as a witness when the present witness was brought on. The present witness and Mr. Hunter were called before the committee at their own request. Now, as I see this motion there is nothing to prevent the recalling of the present witness. The motion simply embodies the calling of General LaFleche when we resume after the noon recess.

Mr. GOLDING: Do you rule the motion in order, Mr. Chairman?

Mr. TAYLOR: Order.

The CHAIRMAN: The motion moved by Mr. McDonald—I am in the hands of the committee—reads as follows: "Moved by Mr. McDonald that the question be now put." What is your pleasure?

Mr. HOMUTH: Mr. Chairman, Mr. Green asked for a ruling as to whether Mr. McGeer's motion was in order.

Mr. McGEER: That was already made.

Mr. HOMUTH: No, he has not made a ruling.

The CHAIRMAN: Mr. Burgess informs me that Mr. McDonald's motion is out of order.

Mr. MCPHEE: Why?

The CHAIRMAN: Beauchesne, page 173, 472. Now we have Mr. McGeer's motion before the committee.

Mr. GREEN: I want a ruling on that.

The CHAIRMAN: We have Mr. McGeer's motion before the committee and may I say to this committee that I can quite appreciate the seriousness of this motion, the contents of this motion with regard to the presentations of both schools of thought in this committee. I am not unmindful of that. I am not unmindful of the point taken by my hon. friend Mr. MacNeil, but I do say I have no alternative, regardless of what my own views are, except to put this motion before the committee, as moved by Mr. McGeer.

Mr. McGeer has moved that the committee adjourn until 2.30 this afternoon and at the resumption of the committee's sittings General LaFleche be called to be followed by Major J. E. Hahn.

Mr. MACNEIL: You rule that is not debatable? It is debatable.

Mr. FACTOR: You have debated it.

Hon. Mr. STEWART: We are apparently at the stage where we are discussing a debatable motion. That being so, every member of this committee has a right to speak before this motion is put.

The CHAIRMAN: Then, gentlemen, I suggest we adjourn until 2.30 this afternoon.

Hon. Mr. STEWART: I think that is sensible.

The committee adjourned at 1.20 p.m. to meet this afternoon at 2.30 p.m.

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### AFTERNOON SESSION

The CHAIRMAN: Gentlemen, if you will come to order, we shall resume.

Before proceeding with the motion before the committee I should like the privilege of making two or three statements to the committee and also of presenting some facts which I have learned since we adjourned for luncheon.

I may say that I have consulted the Acting Prime Minister in connection with what the members of the house expect to do in the way of adjournment—

Mr. MACNEIL: Prorogation.

The CHAIRMAN: Or prorogation. Apparently it is the intention—and I notice the honourable whip of the Conservative party in the room—

Mr. CASSELMAN: I do not know anything about it.

The CHAIRMAN: I, of course, will accept my honourable friend's word.

Mr. GREEN: He is not the government whip this year.

The CHAIRMAN: Perhaps he can wait, Mr. Green. But I understand that it is the intention, if possible, to prorogue the house sometime to-morrow.

The house, I understand, is going to adjourn this afternoon in order to wait for the return of the mortgage bill from the Senate.

It seems to me that here we have two or three things to consider. I think every honourable member of the committee will appreciate from what I said before adjourning for luncheon that I was fully cognizant of the seriousness of not only putting this motion but of the material truths in the objections that were taken by members who disagreed with the import of the motion.

I submit this to the members in what I feel is fairness to them and what is also their responsibility. This motion is debatable. We can spend the afternoon, evening and to-morrow debating this motion, which will not add anything to the evidence or representations before the committee. That, of course is the right of each and every member of this committee. But, on the other hand, it seems to me, notwithstanding what my honourable friend over here said before luncheon, that we have got to consider our colleagues in the House of Commons. I know, as far as I personally am concerned, and I think I voice the sentiments of the majority of the members of the House of Commons, that I want to get out of here. We have also got to take into consideration placing full import on the debate which occurred before luncheon. We have also to take into consideration fairness to everybody, which I believe has been followed pretty well all through the proceedings of the committee; and what I am saying, I can assure my honourable friends, is not prompted by any political thought in the matter, because, as I said a moment ago, personally my feelings now are that most of us want to get out of here.

But we have a responsibility as the elected representatives in the House of Commons and as members of this committee, and it seems to me that there are some things which should be cleaned up before the house prorogues.

I am going to make one or two suggestions and then place myself absolutely in the hands of the committee. I do not know whether the mover of this motion will agree with me, or whether the members of the committee will agree, but I do submit, gentlemen, that if we go on with this motion there might be no end to the discussion and we would arrive at no gainful conclusion. It is going to be an argument between this committee, and each and every one of us knows that.

Before luncheon, I think it was the honourable member from Vancouver who said, if I heard him correctly, that he would be finished with Colonel Drew in the next ten minutes. I know the honourable member for North Vancouver may have a number of questions to put to the witness, and I wish to tell him frankly that I was absolutely in accord with the statements he made before lunch to the effect that he had a perfect right to have the opportunity of putting his questions to the witness. As I say, I am going to place myself in the hands of the committee in this way and tell them what I had made up my mind before luncheon to do. I am going to ask this committee if they can agree amongst themselves, to permit the taking of evidence from Colonel Drew to proceed; that we agree at least tentatively on some *modus operandi* before Colonel Drew does proceed as to approximately how long he should take, allowing an opportunity to call Colonel LaFlèche, the taking of whose evidence was adjourned, and to try to get the thing cleaned up. That is my feeling.

MR. GREEN: Of course, there are other witnesses too.

THE CHAIRMAN: And other witnesses, if you like. I am not trying to curtail a thing, as far as witnesses are concerned, but two or three things have developed that we should clean up.

Unless we do one of two things, we are going to be held responsible, if we take a certain course, for holding all the members of the House of Commons in session. I think we all appreciate that. Now, can we do that? On the other hand, if we can decide amongst ourselves what procedure we are going to follow for the next couple of days we can carry this thing to the point where we disappear, of course, when the house prorogues, having called all the witnesses it is possible to call within that period.

I started to say a minute ago, that I was going to ask Mr. McGeer, with the permission of the committee, to withdraw his motion. I have stated to you frankly the way I feel about the situation and I have given you the information which I obtained from the Acting Prime Minister.

Now, that is the situation, gentlemen. Do you wish me to ask Mr. McGeer to withdraw his motion? May I put it this way: May I ask Mr. McGeer to withdraw this motion?

MR. GREEN: Mr. Chairman, as far as we are concerned, that suits us very well. When I got up this morning you did not let me finish my statement.

THE CHAIRMAN: If I did not, I let everybody else do it.

MR. FACTOR: Could he indicate to us the length of his examination?

THE CHAIRMAN: I have already suggested that.

MR. GREEN: We realize that General LaFlèche had only given a portion of his evidence before Colonel Drew and Mr. Hunter appeared, and had not the slightest intention of taking the stand that General LaFlèche should not be called back to the stand. We did not think it was very fair to shut Colonel Drew off just before he finished.

I have only three or four more questions I propose to ask him on these final questions, then I have two other questions and with that I am finished. It should not take very long. I do not know what Mr. MacNeil has to ask.



The CHAIRMAN: Have any other members sitting near you any questions to ask?

Mr. HOMUTH: No.

The CHAIRMAN: I wonder if I can accept this as your position: That it will not take a great deal of time for you to finish with the witness?

Mr. GREEN: If you can keep Mr. McGeer from butting in on my questions.

The CHAIRMAN: I shall tell you what I will undertake to do. I will undertake to prevent Mr. McGeer from butting in and I will do my best to keep the Colonel from making speeches. I will also try to stop you if you go too far. Is that agreeable?

Mr. GREEN: That is fair enough. I should like to make this point clear, Mr. Chairman, that there are several other witnesses besides General LaFleche who we consider should be called in order that this matter can be properly cleaned up, and we do not want it to be taken to mean, by agreeing to your suggestion, that General LaFleche should be the only witness called.

Mr. McGEER: Quite agreed.

The CHAIRMAN: That is all right. Mr. MacNeil, how long do you think you will take?

Mr. MACNEIL: I have not a great number of questions.

The CHAIRMAN: It is now 2.45. Surely in the next hour or hour and one quarter the matter can be cleaned up. I presume you have the major part of the Colonel's evidence on record now.

If that is agreeable to the committee I am going to ask the honourable member from Vancouver Burrard if he will withdraw his motion.

Mr. McGEER: Mr. Chairman, in connection with this matter, I may say that I am very glad to agree with the committee. My point was not to shut Colonel Drew off but to give Colonel LaFleche an opportunity to be heard; also that sufficient time should be given for any reply to his remarks. It seems to me he should be heard on so difficult a situation as has developed, and I quite agree that it would not be the consent of all the members of the committee that it should not be done. The thought was in getting him on after the noon adjournment that we would be free to have all the witnesses in and it should not be dealt with by way of reply. I am more than willing to withdraw the motion and agree with the committee as to the procedure adopted. What I did agree to if you will recall, was to call Major Hahn to prove he had given certain documents to the British war office, and I did agree to call him to prove that letter which he secured; also perhaps Captain Jolley on the question of the S.M.L.E.

The CHAIRMAN: Gentlemen, is it your wish that we should proceed along the lines I have suggested?

Mr. BERCOVITCH: For an hour.

Mr. GREEN: Oh, well.

The CHAIRMAN: Mr. Green, I promised you we were not going to split hairs. Now, you leave it to me.

Colonel GEORGE DREW recalled.

*By Mr. Green:*

Q. Colonel Drew, I had got down to question 6 at adjournment.—A. Yes.

Q. "Who are the shareholders and real directors of Investment Reserves Limited?" Has that question been answered?—A. Well, that question so far as up to the time of the inquiry was concerned, had not been answered. The only disclosed shareholders in Investment Reserves Limited were the employees

[Lieut.-Col. George A. Drew, K.C.]

in the Plaxton office, Winnifred May Woodburn, Lillian Maria McCartney and Kathleen Robinson, three lady employees in the office of Plaxton & Company. When the books were produced they were the only shareholders and only directors, and no evidence was given as to who the real holders of the stock are.

Q. "7. Who owns the shares issued to Anglo Engineering Limited?"—A. Well, actually, as I explained this morning, the function of the company disappeared to some extent because it merely acted as subscriber to the treasury stock of Inglis company, and that was stock that went on to the brokers or is held by the people who have invested.

Q. "8. Who are the shareholders and real directors of Anglo Engineering Limited?"—A. That again has not been answered. That is another company in which the only disclosed shareholders or directors are five employees in the office of Plaxton & Company, and no evidence, at least up to the inquiry, had been given as to who the real interests were behind that. It was obviously a company in the Plaxton office.

Q. "9. What did Anglo Engineering Limited pay for the stock it received from John Inglis Co.?"—A. Well, it came out at the inquiry that the stock was subscribed for; actually that stock has been taken down in the end partly by the brokers and partly by the promoters who subscribed for that stock.

Q. "10. Why was it deemed advisable to have a stockbroker the treasurer of the John Inglis Co. Limited?"—A. That has not been explained.

Q. "11. What was the real position of Mr. Nurse, of the firm of Cameron, Pointon & Merritt, in these transactions?"—A. It came out in the evidence that he was what was described as the power trustee, or what is more accurately known as merely a dummy in this transaction, to make it possible to issue stock to the extent that it was.

Q. "12. How does the government explain the fact that four of the seven directors of this enterprise are employees in the office of Plaxton & Company?"—A. No explanation has been given of that, and that is an extremely important one. This company which has this extremely important job as well, so far as the evidence goes, has on its directorate four of the seven directors who are merely office employees of the company, that is, office employees of the legal firm.

Q. "13. What is the position of Mr. Hugh Plaxton, M.P., in the office of Plaxton & Company, and what has it been at all times since Plaxton & Company began acting for the armament company which now has the contract?"—A. The evidence given is that Mr. Plaxton separated his connection with the firm as far back as the end of 1935 or the beginning of 1936; that he has an office in the suite there and that he has an arrangement by which he gets his office for nothing in that suite and that there is a common use of stenographers and so on in the office. It might be pointed out that in regard to the suggestion that was made here, there was some inaccuracy in the statement about his position, that there are department records to which one could go to find out who are partners of firms and the suggestion that one could find out who are partners in any firm by a search of the Ontario Gazette is, to any lawyer, ridiculous. Very few lawyers do file either notice of formation or dissolution of these formations in the Ontario Gazette. The law list, as a matter of fact, is taken as being one of the most important reliable sources of information. We have two law lists there. One of the most reliable law lists we have effectively brought that out. Actually in my inquiries I found from the law list company that in the year they showed Mr. Hugh Plaxton as a partner, that is 1937, that they had submitted this to the office before they printed it and it was approved and then in the following year, as I pointed out in order to make it quite clear here, they were notified of the change. I would point out in that connection that one of the difficulties of determining the relationship in the office is that the firm is in the peculiar

position that not one of the three Plaxtons who gave evidence at the inquiry keeps any record of his daily transactions of any kind, and according to the evidence they were in the astonishing position where they could produce no daily records, no dockets of entries of any kind to show what they had been doing. So that question does remain unanswered except for the statement of the occupation of the office.

Q. "14. What steps, if any, are being taken to prevent speculation in the stock of John Inglis Co. Limited based on the expectation of possible government contract?"—A. Well, at the time that article was written, no effective steps were being taken, but as it is now, the Ontario Securities Commission has made or thinks that it has prevented stock speculation. But as I have already pointed out before I came here—and at the very time that the statement was made by the Attorney General which he only quoted—in my remarks at the same time I entirely disagreed with his interpretation of the law on the subject, and without in any way setting up our comparative knowledge of the matter, I can say I have had quite as much experience in connection with that as the Attorney General has.

Q. "15. Why did the government move all its own machinery available for the making of rifles and machine guns from Valcartier to Toronto, instead of using it in a government arsenal as originally planned?"—A. No satisfactory answer has yet been given to that. I have given evidence here, and I do not intend to elaborate on it now, that the general staff have constantly urged that that machinery be used in a government arsenal, and no satisfactory answer has yet been given why it was decided to place it in the hands of a private company for the manufacture of weapons.

Q. "16. Why did the government assist in establishing Canada's only source of machine guns, rifles, and small arms, in the heart of a large city, when the development of bombing aircraft has made this extremely dangerous both to the company and the citizens of that city?"—A. No effective answer has been given. It is elementary knowledge to anyone connected now with military matters in any way that the placing of an armament plant, particularly one in which the manufacture of a large number of weapons is to be carried out, in a large city is extremely dangerous, not only from the point of view of the possibility in centres where an air attack may occur, but in a country like Canada where air attacks are not such an immediate threat, there is always the increased danger of sabotage or of actual interference with the production of the plant. The accepted practice is, particularly with all new armament plants going up, both private and government, to have them remote from large cities where they can have their own communities as much as possible. That, of course, is particularly true in the case of government-owned establishments, actually to run a completely self-contained unit in most centres where they are building them.

*By Mr. McGeer:*

Q. You hardly suggest that is practical for 7,000 Bren guns?—A. May I be allowed to answer that, because I have to be so careful as to whether I say too much.

Q. Let it go.—A. It is entirely practical, because, as has been pointed out by the selling circular of this stock, as well as myself, the plant is to be equipped for the production of Lee Enfield rifles and small arms and so on, and consequently as it is being set up now it is a plant for the production not only of Bren guns, but Lee Enfield rifles and small arms. The natural place to establish a plant of that kind, and the proper place to establish a plant of that kind, is somewhere where there is ample space adjoining it to carry out tests of the arms and so on, and also highly desirable, if possible, to have it at a point where troops may camp in order that there might be some use of the arms as they are turned out and some connection between them.

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*By Mr. Green:*

Q. "17. Who represented the Canadian government in negotiations with the British government?"—A. That, of course, is highly debatable still according to the evidence. According to the cables exchanged between the War Office and the Dominion Government in November, 1936, Major Hahn was the representative of the Canadian government. According to his own evidence, I understand he was not the representative of the Canadian government, but a contractor looking for business. Of course, as far as the real representative of the Canadian government in the negotiations was concerned, it was the Department of National Defence which really effected the contract with the War Office through their constant pressure over a long period of time, and they were represented by them here and they had their representative at Canada House.

Q. "18. Who had 'already organized the main details in England' to a point that forced Mr. Mackenzie's hand, according to his own statement in the House of Commons?"—A. Well, the fact is, as far as one can find—the fact is quite clear from the evidence—that it was his own department which had carried negotiations to a point at a time when this matter got before the interdepartmental committee in January, 1938, that there was no drawing back from it, as the judge has pointed out in his report. For a year there had been constant pressure by the Canadian government to get the British government to enter into the contract for 5,000 guns. Finally, on November 9, 1937, the British government indicated that they were prepared to accept that proposal of the Canadian government, that request of the Canadian government, and that they were prepared to proceed in negotiations with Hahn. This question, of course, refers to Mr. Mackenzie's statement in the house. The organization of the details in England had reached a point where they could not go back, and the fact is that it was our department that had put it at a point, as the judge pointed out, that they could not go back at the time this was before the interdepartmental committee.

Q. "19. What are the salaries of Major Hahn and the other executive officers, and for how long are they to be paid by the government?"—A. That is all set out in detail in the evidence, and has been—

*By Mr. Golding:*

Q. It is given in evidence too?—A. Yes.

*By Mr. Green:*

Q. "20. What further contracts are in contemplation which explain the ten-year licence, although the guns bought under the present contract are to be delivered in five years and four months?"—A. Well, there has been no explanation yet of why the licence is given for a longer period. The only suggestion of any explanation is in the selling circular of the stock company which I read this morning, which indicates that they are free to use their opportunities to make weapons there for any other contract, and that they are not fully devoted to this contract.

Q. Then, Colonel Drew, would you turn to page 50 of the report of the commission, about half way down the page. This is what the judge says:—

What is obvious, of course, is this: that if the government has an article to be manufactured for which by its very nature it is not practicable to call for tenders and the policy of private manufacture is to be adopted, then at once the heaviest sort of responsibility falls upon those charged with the duty of selecting the individual, firm or corporation to manufacture the article. The question is: Were proper and sufficient steps taken in this case to discharge that responsibility? Upon the whole evidence, that is a question for the government and parliament to pass upon.

What have you to say as to the steps that were taken in this case to fulfil that responsibility?

Mr. BERCOVITCH: Is that evidence, Mr. Chairman? What Colonel Drew has been doing for the last ten minutes is giving us his opinion of the evidence. Now, that is the very function we are here to perform. I did not want to interfere; I did not want to interrupt; I did not want to be the cause of losing any time, but I have listened patiently to the dissertation of Colonel Drew's judgment of the evidence. It is quite interesting, but on the other hand, it is not evidence, and if you want—

Mr. GREEN: Do you want to start a fight?

Mr. BERCOVITCH: No; let us get down to facts. We will decide this. That is our function.

Mr. GREEN: You are wasting my ten minutes.

Mr. BERCOVITCH: Sometimes I have to stop your illegalities.

Mr. GREEN: I have only one more question. I suggest Colonel Drew be allowed to answer that question.

The WITNESS: In this case the question of whether they choose the right individuals or not is, as the judge has pointed out, the most important duty where a contract of this kind is to be let, and in that I am not relying on the evidence given there. I could give you new evidence on that because this is a point that is important. So far as that is concerned, the people who were given this contract, the only people in interest at the time the contract was let, were Major Hahn, the two Plaxtons and the three brokers of Cameron, Pointon & Merritt. None but Hahn of those had had any industrial experience of any kind. It gets back to a question then of what was the previous industrial record of the men on whom this responsibility fell; and now it would appear that a reasonable first condition would be one of proved success in an industry similar to this or certainly in some other industry. In this case, according to his own evidence, Major Hahn's one business which he had himself controlled in this country of an industrial character was the group organized under Consolidated Industries Limited. And these industries did get into financial difficulties and had gone over to another company, with some heavy loss, practically all the money of the shareholders concerned. I suggest if that is the only previous test of his ability as an industrial organizer, it is not a very high proof of his efficiency as an industrial manager. The only venture that he controlled of an industrial nature failed, with almost total loss to the shareholders of the money they had invested.

*By Mr. Bercovitch:*

Q. Is that not one of the very things this committee have to decide, after looking at the evidence? You should not give us your opinion of the evidence. As I said before, I think it is extremely interesting but I think that is really our function. I am sure that you, as an excellent lawyer, appreciate that.—A. I am not, of course, aware of how much you know of the past records of these industries.

Q. We have it all in evidence.—A. No, not all of it.

Q. Yes, we have it in evidence before this committee.—A. I was going to say that another man of those connected with this, who had had a good deal to do with certain companies, was Mr. Gordon Plaxton; and Mr. Gordon Plaxton's career in connection with that was most disastrous. He had been connected with an organization known as Traymore Limited, and also in connection with that was an organization known as Canadian General Securities Limited, which was tied in with it. In connection with that, as a matter of fact, it seems to me that the record of a man who is dealing with stock, in a case where stock is being obtained which will be sold to the public, is of the

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utmost importance. In that case, Mr. Plaxton's activities had been under investigation by the Ontario Securities Commission; and as a result of certain proceedings in connection with that and with other proceedings, he paid back a considerable amount of money to the shareholders of the company he was connected with.

Q. That is entirely irrelevant.—A. It is not irrelevant at all, as to a man's record; that is the only record with respect to stock.

Q. We are just investigating the Bren gun contract and everything leading up to the contract; and we are not investigating the character of individuals connected with other corporations. I venture to say if you proceed— —A. No, with this corporation.

Q. Excuse me; if you proceed along those lines, I doubt if there is a man in Canada who has not been connected at some time or other or been a shareholder in one company or another which has gone into bankruptcy.

Mr. GREEN: I am sorry, but I think it is relevant for this committee to get evidence as to the suitability of the individuals with whom the government was contracting. That is all I am dealing with.

Mr. BERCOVITCH: Okay; let us get on, that is all.

The WITNESS: In answer to that, I want to point out that the judge has expressly stated that it is of the utmost importance in cases of this kind to test the ability of those who are receiving the contract.

Mr. BERCOVITCH: Quite true. We can read the judge's findings just as well as anyone else.

The WITNESS: I did not think you could, because I was giving evidence that was not given before.

Mr. McLEAN (Melfort): I suggest that is not fitting that an insinuation of that kind should be made either as to Mr. Justice Davis or to members of parliament. It is most impertinent to make an insinuation of that kind. I think if we are going to get along in this committee, you must see that the witness is restrained from making impertinent remarks of that kind, Mr. Chairman.

The CHAIRMAN: May I say to my hon. friend that I am doing my best to rely on the judgment of the witness, as to the length we may go.

The WITNESS: We are getting on all right.

The CHAIRMAN: I do not think Mr. Green has many more questions.

Mr. GOLDING: There is no necessity for making a statement like that.

The WITNESS: Just to close out that statement all I simply say under that particular point is that the evidence is clear from what I pointed out that adequate tests were not made as to the ability of these people to carry out the contract.

Mr. GREEN: This is the final question.

Mr. BERCOVITCH: Hurray!

Mr. GREEN: You do not like this much, do you?

Mr. BERCOVITCH: I love it.

*By Mr. Green:*

Q. I refer you to page 49 of the commissioner's finding where he says as follows:—

It is important, of course, that the contract be a good and business-like contract; but what is more important, after all, is whether the procedure adopted in making the contract was that best calculated to protect the public interest and to secure the confidence of the people of Canada that there would be no improper profiteering in the private manufacture of war armaments for the defence of the country.



You will notice that the commissioner refers time and again to this as private manufacture. Then he goes on:—

That is a question upon which the government and parliament in the light of the evidence brought before the commission, must pass.

Now, what have you to say as to whether the procedure adopted was best calculated to protect the public interest, from the evidence you have in that connection?

Mr. BERCOVITCH: Just a minute. Mr. Chairman. Surely there is a limit to this.

The CHAIRMAN: What is your question, Mr. Green?

Mr. McGEER: Let it go.

The CHAIRMAN: I am sorry; I did not hear your question.

Mr. GREEN: If Mr. McGeer approves of it, that ought to be good enough for everybody.

The CHAIRMAN: I should like to hear it. I apologize, but at the moment my attention was not on your question. Would you mind repeating it? I should like to hear it.

*By Mr. Green:*

Q. Colonel Drew, what do you say as to whether or not the procedure adopted was best calculated to protect the public interest, from the point of view of the evidence submitted along that line?—A. Well, I have already pointed out my own reasons for believing that the public interest would be best protected by a government arsenal in the case of weapons of that kind. But I repeat the suggestion—and in order to anticipate interruptions, I will say that it will not take me more than a minute to do so—which I made before, that out of this long inquiry some public service will be performed if it is realized that this is only the beginning of an industry of this type, a series of industries; and I strongly urge that this committee recommend that the industries be brought together—

The CHAIRMAN: I am sorry, Colonel Drew, but I think you should refrain from telling the committee what to do. I submit that you have been treated with every courtesy here.

Mr. GREEN: Major Hahn in his written statement, if I remember correctly, set out about half a dozen different things that he wanted the committee to find, and I fully expect to see them appear in the report. I do not know why Colonel Drew should not make one suggestion.

The CHAIRMAN: In answer to my hon. friend's remarks, may I say that Colonel Drew has undertaken on at least three different occasions not only to advise this committee as to what its findings should be, but he has undertaken to lecture this committee on its mental attitude.

Some Hon. MEMBERS: Hear, hear.

Mr. DOUGLAS: If I remember correctly—

Mr. GREEN: I am just about through.

The CHAIRMAN: That is the only reason I interrupted my hon. friend. We have had those lectures before.

Mr. BERCOVITCH: Let us get on.

Mr. DOUGLAS: May I just say that, if I remember correctly, the last words Mr. Fraser Elliott said before this committee were that he hoped that this committee would find certain things with respect to the work of the inter-departmental committee. I, for one, was very glad to hear that. I did not rise and object to him lecturing or advising this committee; and I see no reason why

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the witness should not offer certain suggestions. All of us have the power to decide for ourselves whether or not we will accept the suggestions and incorporate them in our report or whether we will just forget about them. I hardly think it is becoming to shut off the witness. I want to remind the chairman that this witness appeared before this committee on Wednesday night. He made a statement which lasted about one hour and a half.

Mr. GREEN: This is not to come off my time, Mr. Chairman.

The CHAIRMAN: I am keeping track of it.

Mr. DOUGLAS: Mr. McGeer questioned the witness for half an hour on Wednesday night, for two hours yesterday morning, for three and half hours yesterday afternoon and for two hours yesterday evening.

Mr. BERCOVITCH: I withdraw my objection.

Mr. DOUGLAS: No,—

Mr. BERCOVITCH: You do not want that?

Mr. DOUGLAS: Now when the witness is being questioned by other groups in this committee, almost every other question is objected to. I hardly think that is fair.

Mr. BERCOVITCH: It is withdrawn.

Mr. DOUGLAS: I think he ought to be allowed to finish. I do not think it is a bit fair that, every time a question is asked of this witness or every time he starts to answer, some one should object; especially after we have listened, as we have, to a great number of questions which we sometimes thought were irrelevant.

The CHAIRMAN: May I say to my hon. friend that yesterday I permitted other members of the committee—and the hon. member who is at present on his feet—to interject. My remarks to the witness a few minutes ago were simply pointing out—and I am sure my friend will agree with me—that exactly what the witness was saying he had said on at least two or three other occasions. I am sure it is not necessary for him to repeat it for me or any other members of the committee. We are trying to get on with the job.

*By Mr. Green:*

Q. Now, Col. Drew, have you finished the answer to that question?—A. I do not know whether anything further is wished or not.

The CHAIRMAN: I am not trying to stop any answers to questions. All I am asking of the witness is that he do not lecture the committee.

Mr. GREEN: You are taking up my time; that is what you are doing.

The CHAIRMAN: And I am going to give you credit for it; I always pay my debts.

Mr. MACINNIS: On that point which you raised a moment ago, Mr. Chairman, of not lecturing the committee, let me read from Major Hahn's statement at page 442 where he says:—

In view of the misleading and the unfair publicity to which this company has been exposed, in fairness to this company and its employees, I would ask this committee to make a strong finding as to the purpose of our enterprise as gathered from your own observations.

Then we turn to page 444 where he asked the committee again to make a finding, and I suppose I could find more; I found these in a minute or so, but you could find several of them throughout the statement that he made. Why, when Major Hahn was not stopped, should the present witness be stopped when it only takes a minute or so to make the statement? If we are going to stop him for repeating himself, may I say that Mr. McGeer repeated himself six or seven times in whole pages put on the record during the last three days.

The CHAIRMAN: May I point out to my hon. friend that I did not stop Colonel Drew the other night. I have not stopped him on two other occasions. We are trying to take advantage of the time remaining to this committee. If it the pleasure of the committee that Colonel Drew should advise them or lecture them or anything else, it is all right with me.

Mr. GREEN: This is my last question. I wonder if I might go on.

Mr. BERCOVITCH: The very last?

Mr. GREEN: Absolutely.

*By Mr. Green:*

Q. Will you answer that question, please?—A. Well, let me at the outset say that I did not come here to lecture this committee. At this point I was only giving evidence which I had a right to give before this committee as a militia officer who has taken an active part in connection with this matter; and I was merely going to finish the question I was answering by saying that it is obviously the desire of the militia of this country as expressed before me—not my opinion, but the desire of the militia; and may I point out that it is the desire of the Conference of Defence Associations as well—that the industrialists of this country be brought together with general staff to consider the whole problem, and to lay some plan down for the immediate development of armament production, and that the moment that was done that that would dispose of all this attack and counter-attack in connection with this particular contract.

Q. That is all you have to say on that?—A. Yes.

Mr. GREEN: That is all, Mr. Chairman.

The CHAIRMAN: Thank you, Mr. Green.

*By Mr. MacNeil:*

Q. Following this review of the major points of your article, Colonel Drew, you were given no cause during the inquiry to retract any statement or question made in the article?—A. None whatever. I would point out in that respect that—as it was stated here the other day that this article had not been subjected to test—it was handed to the Minister of National Defence, who I still insist is the man responsible for the Department of National Defence. He was asked—and given several opportunities—or requested to state anything that was inaccurate in it; and the only one he could even suggest as an inaccurate statement was one that the bulk of the machinery was available from the Ross rifle company. In support of that statement I have read from the report of the Chief of General Staff to the minister in regard to the majority of the machinery being available from Ross rifle company supplies, and I stand by that statement; and it is justified by a highly competent professional officer of many many years service.

Q. Have you any knowledge, as a militia officer, of the qualifications of the senior officers in the Department of National Defence?—A. Well, they are all highly qualified officers. I have known them for many years.

Q. Could you name gentlemen on the staff who were competent to go to England, secure the information with regard to Bren gun production, and return to Canada enabling consultation with manufacturers of precision steel?—A. Well, there were a number that would be highly competent. Certainly the ordnance officers who have been dealing with ordnance of this type would be extremely competent. There is one artillery ordnance officer here who has dealt with arms of various types, who as a matter of fact has made a report in regard to that and who made the report which I referred to yesterday that all small arms are obsolete or about to become obsolete. That was in 1936. That is Colonel Carr of the ordnance branch of the artillery. Then there is the ordnance officer—I should imagine one of the most brilliant in the British

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Empire, who has had experience of years of service—and that is Colonel Sherman. Then we have one of the most efficient organizations in the country, The National Research Council over which presides General McNaughton, I should think one of the most competent officers really in the world to-day in regard to firearms of any kind. Then in regard to such matters as weapons to be used, any of the general staff who have been over there on staff college courses and so on would be excellent men to send over to find out what could be done and how it could be taken up.

Q. It was said, Col. Drew, you will recall, that it was necessary to send over there men with manufacturing experience; was that in your opinion necessary?—A. You spoke to me about the general staff.

Q. Yes.—A. I am not suggesting that anyone on the general staff has manufacturing experience; if you are asking me about manufacturing experience, that is a different thing.

Q. Do I understand you correctly that they could have brought back all the information necessary that would have enabled consultation with those who had manufacturing experience?—A. Certainly, and the information would have been made available without any question to any staff officer from Canada at the request of the government.

Q. There are one or two other questions I would like to ask.—A. May I just at that point finish with the question you have asked, because you have mentioned, from the industrial point of view. What I pointed out was that if they were going to send somebody to England the thing to have done would have been to have had experts in the industrial production of things of steel, and then they could have advised as to how to go about this, having regard to Canadian production methods and equipment.

Q. Have these officers not any machine shop practice or practice in production methods and things of that kind?—A. We have many. For instance at Petawawa we have a machine shop up there which is handling everything up to 6-inch guns and making parts for them and everything else an extremely complete and efficient shop, where as a matter of fact Mr. Jolley did get some of his instructions, I believe, when he returned.

Q. Some question was raised with respect to the Securities Commissioner. The statement was made several times about Hahn, and with regard to the value of the stock; and it was indicated, I think, that the value of the stock was arrived at by taking the value of the assets at \$1,250,000 odd and dividing that by the number of shares, and that gave a value, based on the physical assets of the plant, based on a capital value arrived at in that way, of \$6 a share. Would you have anything to say in respect to the practice in that regard?—A. We have had it amply proved in this case that the physical assets were worth \$250,000 at the time they bought this property, and there is no evidence that anything had been done to increase that value up to the time the contract was signed. The value of the stock therefore, would be \$250,000, the price at which they bought this plant together with the \$250,000 of working capital which they supplied, and those two taken together and divided by the number of shares of stock issued would give you an indication of the real worth of that stock then outstanding.

Q. Another question is with reference to the so-called stopper clause of the contract. You said in your evidence that in your opinion that does not stop stock manipulation; have you any suggestions to make as to whether or not that section of the contract could be amended so as to restrain future manipulations of the stock of the company?—A. Of course, there are ways in which that stock could be controlled, and that would be by insisting that there be some stock system set up under which any turn-over or anything had to go to a trustee for the government. That would be one very effective way, but it would probably need some law to prevent the ordinary disposition of stock in a company of this kind. I want to make that clear again, the difference between munitions and

arms, and the difference between the finances of a company whose stock has already obtained some circulation and a company which is just attempting to finance itself. The two are entirely different. In this case over three-quarters of the stock of this company becomes the stock of the promoters of the company, and the value that was being put up behind any of the stock was obviously because of the contract given by the government of Canada, and consequently the government of Canada has a very considerable interest in how that stock is handled, and in what is done with it; and has a very considerable interest in the fact that based on the getting of this contract a value was being placed on the stock indicating that it had a par value of nearly \$1,200,000 for which they had paid nothing like that amount.

Q. My point is that a letter was written which now appears as an appendix to the contract limiting the over-riding profits?—A. Yes.

Q. Would a similar undertaking on that part of the John Inglis company with regard to stock transactions have any binding effect, or be an additional safeguard?—A. Oh, no, because the stock is out of the possession of the John Inglis company. You see, 191,000 shares had been issued out of the vendor's or promoters' stock; and that is exactly the point in regard to that section, that while it is quite clear that they intended to control that stock by the section, the section only applies to the stock being sold by the company itself, and the stock is now out of the hands of the company and as I believe Major Hahn has himself stated here that provision has no effect on the stock which has already become the possession of others than the company.

Q. Another point: You referred to the savings; Major Hahn claimed that the securing of a complementary contract would effect a saving in governmental expenditure for Canada of approximately \$600,000, and an initial saving of approximately \$700,000; at page 439 you were questioned on that and interrupted; do you wish to amplify your statement in regard to whether or not a similar saving could have been effected by public manufacture?—A. As far as the savings were concerned, there was no saving that was in any way especially connected with the Inglis company. The same saving would have been effected with any other company or with a government arsenal so long as the two complementary contracts were completed; and there is no evidence whatever that the British government would not have been quite as willing to enter into a complementary contract with the government or with any other private factory in Canada named by the Department of National Defence as this company was named.

Q. Do you think they would have provided for the initial capital outlay as well?—A. If the circumstances had been the same the results would have been exactly the same, there can be no question about that; and the saving was at the instance of obtaining the order from Great Britain, not in any way at the instance of the giving of a contract to the Inglis company. As far as saying the company brought back an agreement I again refer back to the evidence and to the findings of the judge, that the contract with Great Britain resulted from the activities and pressure of the Department of National Defence and not from Major Hahn.

Q. When you wrote the article had you made some study of Major Hahn's previous industrial experience?—A. Well, I happened to know of the unsatisfactory results of his operations in the company that he was associated with, from the stock point of view.

Q. Was the business in which he was engaged at that time actually one which involved the manufacture of precision steel; I mean, was precision steel of the type we have under discussion here involved in the manufacture of such things as refrigerators and radios?—A. I would not pretend to go into details of that kind, as to the manufacture of radios and refrigerators, while it may be perfectly true that some of the parts of these different things—I believe as a

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matter of fact one of the things that their subsidiary company was making was clocks or something of that kind—I am just speaking from memory about that, there may have been many other things of that kind—but that is not precision steel in the connection in which it is used in relation to weapons of this kind.

Q. But there would be certain tolerances involved there?—A. There would be certain tolerances involved in connection with the manufacture of such things as motors for refrigerators and various parts, I suppose; and in respect to certain parts of radios; but that has nothing to do with tolerances connected with hard steel to be used under heavy pressure, such as in a gas-operated machine gun.

Q. In your evidence you related the responsibility of the deputy minister and the minister, and you also proceeded to say that there were contradictions which appeared in the statements and evidence; would you kindly enumerate the main contradictions to which you made reference in your evidence?—A. The basic contradiction was this—and I wish once more to point out something in connection with this, that it seems to me an attempt was made to put this on a basis which has absolutely no justification in fact. Once yesterday, and again this morning, the statement was made that this conduct of General LaFleche would be particularly resented by the French Canadians of this country. That to me is a peculiarly unfair suggestion, for this reason, that as I have pointed out there were three men who were primarily concerned in the general conduct of this affair; one was Major Hahn, the other was Ian Mackenzie, and the other was the Deputy Minister of National Defence. Each of the three had entirely different racial backgrounds. I cannot conceive of any reason why any one of the three should be in any way considered on any other basis than merely as one of those who has to deal with this contract; and as I pointed out and as quite clear from the argument and from the evidence, the man who I have at all times contended was responsible from the public point of view, that is from the outside point of view, is Major Hahn; and the man who must accept full responsibility for the department is the Hon. Ian Mackenzie; and in my argument I made it perfectly clear as well that while I attempted to prove things that were done by the deputy minister I believed them and I still believe that the evidence has made it perfectly conclusive that any of the inaccuracies on his evidence and the inconsistencies in his evidence were because he was following the lead of the Minister of National Defence. Now, with respect to the contradictions that occurred, you will remember that the statement was made in the house that Hahn was picked by the war office. You will remember that the emphasis has been laid all the way through on the fact that Hahn was the choice of the war office, and you finally come up to the interdepartmental meetings of January, February and March of 1938, and all the way through you find the emphasis on the fact that Hahn was the only man that the British government would deal with; that was repeated over and over again until finally the judge refused to hear it again, because he said that he was not prepared to hear again the statement that was so absurd, that he was the only man the government would deal with. As against that the judge has found that the pressure as a matter of fact was entirely from this side, and that the contract was obtained by the insistence of the Canadian government, and it is not necessary for me to read again in detail the statements that have been made in that respect by the commissioner in making his findings, but merely to say that the commissioner at page 48 of his findings says this:—

Much stress was laid during the evidence and on argument upon what was termed the “pressure” from either the war office upon Canada or from Canada upon the war office subsequent to the war office cable to Canada of November 9, 1937 (exhibit 182). That pressure from Canada upon the war office during the period was continuous is in my view the proper inference from the facts directly proved in evidence.



Without extending that discussion there I simply say that in that very statement the judge has refused to accept the statement of the minister and the deputy minister that pressure was put on by the war office and that the contract with Hahn was only at the instance of the war office, and not the choice of the Department of National Defence. I think the judge pointed out quite clearly, he said:—

A single document may be taken here or there and read by itself without the surrounding facts and circumstances, might leave a different conclusion, but the evidence and the surrounding facts must be taken as a whole if a fair and proper inference is to be drawn. In view of what has already been said, it is not necessary to dwell upon this controversy as to "pressure" subsequent to November 9, 1937. It is more important to recall that, as the Deputy Minister in effect testified, the matter of the choice of a contractor for "departmental guns" was from his point of view virtually concluded by the war office cable of November 9, 1937 (Exhibit 182). The proposed production of Bren guns in Canada have been before the war office almost continuously from Major Hahn's first visit in November, 1936, down to the end of January, 1938, the war office then very naturally expressed its anxiety that progress should be made—

Q. Were there any other contradictions you wished to bring to the attention of the committee?—A. The whole thing is full of contradictions from that point of view, from the point of view of the fact that the war office had chosen Hahn. The actual evidence all the way through shows that exactly the contrary was the case; and that is set out in detail in the summing up and the argument. I can refer you to the details where point by point various documents contradicted the actual facts as ultimately proven indicate that one cannot accept the statement that the war office had chosen Hahn. The attempt has been made to have it brought out that the war office had decided on Hahn and Hahn alone, that he was the man that they were prepared to deal with and that they had chosen him, whereas the judge finds, and the evidence is conclusive, that that was not the case, that the Canadian government chose Hahn very early, notified the war office, and as I have said already both here and before the commissioner, put pressure on the war office in connection with their negotiations with Hahn.

Mr. MACNEIL: I am going to keep my bargain, Mr. Chairman; I am through with this witness.

The CHAIRMAN: Is there any other hon. member who wishes to direct questions to this witness?

The WITNESS: Might I just finish, it won't take a minute? I was just about to say this: since the point has been raised I think in fairness to myself that I should say this here: the militia, and everyone connected with this, want to see guns produced for our forces and want to see arms produced. Also we want to see unity and friendship in this country. And any suggestion that the attack on any one man was for a specific purpose can only be for the purpose of raising prejudice to interfere with the real consideration of the problem in hand. There are three men: Mackenzie, who, from the point of view of the government, I insist, has the greatest responsibility; Hahn outside; and General LaFleche. I want to point this out that the Conference of Defence Associations which took the stand that we should have government manufacture was presided over by a very gallant French-Canadian who I had the honour to move as chairman of that conference—Colonel Rosaire Samson of Sherbrooke.

[Lieut.-Col. George A. Drew, K.C.]

The CHAIRMAN: Before the witness leaves the chair, may I read to the committee a wire received from Horace Hunter of *Maclean's Magazine* on May 26:—

As motives of the author and also the publisher of the article on Bren gun contracts which appeared in *Maclean's Magazine* have been called in question and misrepresented in evidence before your committee I request opportunity to be heard by your committee as to circumstances leading up to the publication of the article in question. Colonel Drew also requests, as author of article, opportunity of giving evidence on the same matter.

As this committee knows, we replied to that telegram, as follows:—

The committee agrees to your request to hear Horace T. Hunter and, following his representations, Lieut.-Colonel Drew, at meeting in committee room, 368 Parliament Buildings, Ottawa, at 11.15 Tuesday morning, May 30.

I wish to say at this time, gentlemen, on behalf of the honourable members of the Public Accounts committee, that I sincerely trust both Mr. Hunter and Colonel Drew will feel that they have been given every opportunity to comply with their wishes as contained in this telegram, that they have been treated with courtesy and fairness by the committee as a whole. I might say in conclusion that while the Colonel may not agree with me, I sincerely trust, if it is ever necessary for me to appear before a committee over which he presides, that he will treat me in the same manner as I have tried to treat him.

The WITNESS: Well, I think, Mr. Chairman, in spite of the discussions that have taken place, I can say that you have treated me with the utmost fairness, and I think, according to your own words, that the committee generally has done so.

In closing, I should like to say there was only one discordant note, a partial discordant note, and I want to make it quite clear that the only wholly unfair thing in it was the charge this morning by Mr. McGeer that I had laid charges here against General LaFleche, when he knows perfectly well that the only thing I did was to answer questions which he forced on the record. Outside of that, Mr. McGeer and I have no complaint.

The CHAIRMAN: Gentlemen, I presume it is the wish of the committee now to proceed with the evidence of General LaFleche.

Mr. McGEER: Carried.

General L. R. LAFLECHE, Deputy Minister of National Defence, recalled.

The CHAIRMAN: Gentlemen, I have been trying to check up the record to see where General LaFleche finished his evidence. There does not seem to be any continuity, so I presume we shall have to start all over again.

Mr. McGEER: I think General LaFleche should be given the privilege of dealing first with the situation that has developed, in his own way. I think he should be given the opportunity to proceed in his own way.

Mr. BERCOVITCH: Perhaps we should ask him if he was here and heard Colonel Drew give his evidence and if he has anything to say about it.

The WITNESS: Mr. Chairman, I was not here during all the time Colonel Drew gave his evidence. I did hear part of his evidence, yes.

*By Mr. Bercovitch:*

Q. Did you read the rest of it?—A. No, I have not read it, sir.

*By Mr. McGeer:*

Q. Have you anything to say on the evidence that you did hear?—A. There is one thing which has remained in my mind above all other matters, that is— and remember, Mr. Chairman, that I am relying upon my memory as to what was said—I believe that the witness whom I succeed in this chair, made some statement to the effect that I had acted under my minister's instructions. Unfortunately I do not recall whether he explained what that meant. But to put my own interpretation, if not my own feelings, my own reactions, to such a statement as the point upon which I want to speak, let me say that I took it that the last witness said or meant that my minister, the Honourable Ian A. Mackenzie, had given me instructions as to how I should act, what I should do and, presumably, what I should think and recommend with regard to the contract under consideration. If that is what was meant, then I brand that as absolutely false in every respect.

My minister in this case, as in others, has seen fit to receive through the proper channel the recommendations of the department over which he has so successfully presided, and has dealt with those self-same recommendations in the usual and regular manner, accepting, I would say, nearly all such recommendations; questioning for the purpose of eliciting information in many cases, and very rarely asking that the question be reconsidered. I have some feelings in this matter which have nothing to do with me personally except that following the accepted practice, without exception, in this city of Ottawa, I, a civil servant, have been loyal to my minister. And I have been, as other civil servants, conscientious in the performance of my duty, realizing that my duty did not permit me to suggest even anything like what was mentioned in connection with my minister and myself which the previous witness voiced, I believe, in terms that my minister had given instructions as to what I should do, what I should think and what I should recommend. While I am here, may I say my judgment, my recollection, my feelings, in connection with the statement concerning my minister which I have just described to the best of my ability, are somewhat similar in respect to another gentleman who has been mentioned as one of the principal figures in this case, which was stated last fall to be a trial. I refer to Major Hahn. If there is any suspicion in the minds of any person that Major Hahn deceived me, and I would add, attempted to deceive me, then I reject at once the suggestion; for I have never even for a second noticed anything of the kind; nor had it ever been suggested before by anybody in the slightest way.

*By Mr. McGeer:*

Q. Have you read the article in *Maclean's* magazine that we have been considering?—A. May I say a word first, sir?

Q. Yes.—A. There may be many other statements which I should reject, which I should brand as false. I have not the record before me. I have tried to deal with my minister first, not only as a duty, but to act as any decent-minded man would, by casting back such horrible insinuations or accusations or charges, or whatever they might be termed, made by anybody. I want to make that statement, Mr. Chairman, because I would feel very hurt indeed if I unknowingly failed to reject, to brand as false, other false statements that have been made. Mr. McGeer asked me a question. May I ask him to repeat it?

Q. Have you read this article published in *Maclean's* magazine under date of September 1, 1938?—A. I have, sir.

Q. Have you any comment to make on it?—A. Oh, yes.

Q. Let us have it.—A. I have not a copy here; I have incomplete notes. I have jotted down a few notes in connection with some excerpts from an article which appeared in *Maclean's* magazine dated September 1, 1938, headed "Canada's Armament Mystery!"

[Major-General L. R. LaFlèche.]



Q. Written by whom?—A. Written by Lieut.-Colonel George A. Drew.

Q. Published in *Maclean's* magazine?—A. Published, sir, in the September 1, 1938, issue or number of *Maclean's* magazine.

Q. That was the article that started the inquiry which Mr. Davis presided over?—A. That is the article cited in the order in council calling or creating the Royal Commission. I see a misstatement here on page 8 of the said magazine. "This machinery which had been stored at Valcartier after its removal from Quebec is suitable for the manufacture of machine guns, rifles, and other small arms and had been intended for use in a governmental arsenal. It constitutes the bulk of the machinery which will be required for the fulfilment of both the Canadian and the British contracts." That is a false statement. Our Ross rifle machinery at present, sir, at Valcartier or in use or stored at the John Inglis Co., Limited, is included or was included in surplus stores, list No. 27. It was offered for sale to the public in 1920; it remained available for sale until 1930. In 1922 it became apparent that a number of types of machines had little commercial value and could be sold only at about scrap value. It was then decided that the machines were not to be sold for less than list prices, and in all cases where sale under those conditions was not possible the machinery was to be retained in storage. Under this decision, while our machinery was subject to sale at list price, much of it was suitable only for small arms production and had no commercial outlet, or there was no commercial demand for it. It could not all be sold—

*By Mr. Brooks:*

Q. What are you reading from?—A. Some notes I have.

Q. That you have prepared?—A. Yes. Consequently the Ross rifle machinery which remained in storage at Valcartier represented that portion of the original plant which had no commercial value or for which there was no commercial demand other than for scrap. In 1930 a decision was made that no further action should be taken to dispose of the Ross rifle machinery, or, I will put it in other words, or any other Ross rifle machinery. As far as could be ascertained from the records of the department, no Ross rifle machinery was withheld from sale during the period 1917 until 1930 where sale could be made at a fair price. Following the conception of an idea in 1929 of establishing an arsenal at Valcartier, a decision was made in 1930 to retain all remaining Ross rifle machinery. There is a tie-in there with what has been mentioned as a plan to produce rifles in an arsenal at Quebec or Valcartier.

*By Mr. Brooks:*

Q. What was the reason it was decided not to sell after 1930?—A. It was realized after ten years of keeping this machinery on sale that there might be a requirement for it, and the idea that it might be necessary or advisable to manufacture rifles in Canada, I should say, prompted the then authorities to say, what is of any value or might be of any value in that respect is to be retained.

*By Mr. Green:*

Q. What was the total list price of the Ross rifle machinery which remained in 1930, General?

Mr. McGEER: Could we have the statement?

Mr. GREEN: I thought we would take up each item as we went along.

Mr. BERCOVITCH: Whatever the General says.

The WITNESS: I should like to go back to that question. I hope Mr. Green will bring it up later.

Mr. BERCOVITCH: I would suggest that we did not ask questions until you get through.

The WITNESS: It is quite all right. You are very kind. Then I see here—

*By Mr. McGeer:*

Q. What about the statement that the Ross rifle machinery constituted the bulk of the machinery—A. That is absolutely false.

Q.—required. Do you deal with that in your notes?—A. No, I do not; but I say, sir, that it was false. It was not the bulk at all.

Mr. SLAGHT: He put in evidence that made that clear. The figure is \$1,400,000 and \$207,000. You suggest 10 per cent, and Colonel Drew said 20 per cent, so you have it established, at the most, according to Colonel Drew's own admission, it could not be more than 20 per cent.

Mr. McGEER: I thought there might be some question as to whether all the machinery available that was available for the production of Bren guns in the Ross rifle plant had been used.

Mr. SLAGHT: You have Drew's admission on that.

The WITNESS: I believe, Mr. Chairman, that the price list value of the machinery which did go to the John Inglis Co. plant—that machinery which did go down to the John Inglis Co. plant, had a total value, I believe I am correct in saying this, of some \$43,000.

*By Mr. Green:*

Q. We were given figures by two of the others that it was over \$200,000.—A. Quite right, and you will find that the basis for that figure which I firmly believe is quite correct, is the replacement value. By using that machinery we did not have to buy machinery to the tune of something over \$200,000; but I think the price list value of that machinery which did go to Toronto was some \$43,000.

(At this stage Mr. Purdy takes the Chair.)

I repeat that the bulk of the machinery required for the production of Bren guns is most certainly not the old Ross rifle machinery.

*By Mr. McGeer:*

Q. Is all the Ross rifle machinery available for use used? That is what the committee would like to know.—A. Yes, I am quite satisfied on that. The Ross rifle machinery that could be used has been used.

*By Mr. Brooks:*

Q. What proportion? I did not wish to interfere with what you intended doing, carrying right along with your remarks. What proportion of the machinery had been sold and what proportion was sent to the Toronto Inglis plant?—

A. I am sorry, I do not recall. I have not the figures showing how much of the old Ross rifle machinery was sold by the Department of National Defence or on account of the Department of National Defence between the years 1920 or 1917 and 1930, in this ten or thirteen year period. This was before the time I was in the department, but I believe the machinery was placed in the hands of machinery dealers in Canada and an attempt was made to sell it. It was offered, I am sure, to the public over this long period of time.

Q. Do you know what the government paid for it in the first place?—A. I don't, I am sorry.

Mr. BERCOVITCH: Anyway, let us get on with the statement now.

The WITNESS: I noticed in this article this statement:

The total cost of guns is expected to be about \$8,000,000.

According to the impression that statement leaves upon me, it is a false statement. It leaves me with the impression that the department—it was meant to convey the idea that the department entered into an agreement with the contractor involving the amount of \$8,000,000. Thirdly, in their statement—

[Major-General L. R. LaFlèche.]

*By Mr. McGeer:*

Q. What about the press release? Was there any press release from your office?—A. Yes, there was; but no amount was mentioned in the press release.

Q. We have the statement by Colonel Drew in which he stated that that figure of \$8,000,000 was based on a press release of May 5th from your department?—A. I have a copy of the exact press release which was given out.

Q. Where is that?—A. Here.

Q. Could we put it in as an exhibit?—A. Yes, sir.

*By Mr. Homuth:*

Q. General LaFleche, might I just ask you in regard to that press release, whether it was amplified by a later statement, either that day or later?—A. No.

Q. To newspapermen?—A. I did not get that right.

Q. I am asking about the press release to which you have referred. My understanding from the evidence which was given here was that it was amplified by a verbal statement to the press from the minister or from the department.—A. Not to my knowledge.

Q. I understood that it was.

*By Mr. Green:*

Q. General LaFleche, might that—

The WITNESS: I think the article as it appeared in the press might lead one to believe that all right, but it is certainly not my practice; and I am responsible for these press releases. If I want to say anything in a press release, I say so, and I am finished with it then. I cannot discuss my own press release once they are made.

*By Mr. Green:*

Q. Might there not have been a statement given by the minister verbally or by his secretary? I know when he goes to Vancouver he gives statements?—A. I am quite sure not. He leaves that to me in Ottawa.

Mr. BERCOVITCH: Let us have the press release.

Mr. SLAGHT: And there was no production by the witness, Mr. Chairman, supporting the suggestion that some statement ever was issued that \$8,000,000 was going to be the cost.

Mr. GREEN: He said he took it from newspaper reports.

Mr. SLAGHT: No newspaper was ever produced to this committee to substantiate such a statement.

Mr. HOMUTH: General LaFleche said you might have taken that impression from the newspaper article.

Mr. SLAGHT: Oh, but you might imagine a lot of things; but you ought not to state it as misleading the Canadian people.

The WITNESS: I should have added, Mr. Chairman, to that statement which Mr. Slaght was kind enough to make a moment ago, in addition to my conceding the point that one might take a certain impression out of a certain thing but when one gives out a formal press release, that should be the end of it. That is all that is given out.

*By Mr. Green:*

Q. These press men are never satisfied, are they?—A. I find them very excellent gentlemen.

The CHAIRMAN: The press release will be exhibit 16.

Mr. GREEN: Could it be read into the record? Then we will have it.



The WITNESS: Yes. It reads as follows:—

The Department of National Defence announced to-day that the old established firm of Messrs. John Inglis Company, Limited, Toronto, Ontario, will manufacture Bren light machine guns in Canada under the terms of a contract which has been dealt with by the interdepartmental committee on the control of profits on government armament contracts. The contract will result in very considerable benefits to Canadian industry and labour. Owing to the large re-armament program in England, it was not possible otherwise to obtain an early supply of machine guns.

The Department of National Defence will purchase and retain ownership of all special machines and tools required. A number of machines formerly utilized in the production of Ross rifles and now in possession of the Department of National Defence, will be used in manufacturing operations not requiring the utmost precision. The terms of the contract provide for rigid departmental control of expenditures and production costs.

The need of modern machine gun equipment was recognized some time ago and the exhaustive tests carried out under the auspices of the war office were carefully followed by the experts of the department. The opinion is that the Bren gun is the superior weapon amongst the many light machine guns tested.

The establishment in Canada of a plant for the manufacture of these guns is of great strategic importance.

Then there is a note on here which reads: "Issued to press, May 5th, 1938."

Q. Would you read the first words in that again?—A. Yes. They read as follows:—

The Department of National Defence announced to-day that the old-established firm of Messrs. John Inglis Company, Limited, Toronto, Ontario—

Q. That will do. Is there not really a false impression in that report? It was not the old John Inglis firm; it was the new firm of John Inglis Company.—A. I beg your pardon. It is the same firm.

Q. No.—A. I beg your pardon. They had the goodwill of the old firm, the same thing.

Q. Where did the goodwill come from and who handed it over? Who gave the goodwill?—A. I have not the details here, but I am sure they acquired the goodwill of the company.

Mr. BERCOVITCH: Let us go on with the statement.

Mr. McGEER: And the personnel.

The WITNESS: I notice a statement here:—

The Canadian government pays two-thirds and the British government one-third of cost of installation of all machinery and putting the plant in operation. The ownership of the machinery is to remain with the government.

This again leaves a false impression. It should have been stated that the machinery is to remain—become the property—with the Canadian government. That was a matter of vital, of very great importance, rather, to me, so far as I had anything to do with it. There was a very great saving in retaining and having this machinery of which we paid only two-thirds. Fourthly, "the contract itself and what lies behind the formation of Canada's new armament industry are matters of public concern because this company accepts the responsibility of becoming the only source of the essential arms of Canada's land forces."

[Major-General L. R. LaFlèche.]

And this is false. That statement is false. The contract was designedly made non-exclusive. The department is perfectly at liberty to obtain Bren light machine guns and other small arms elsewhere where and when it desires to do so. John Inglis Company, Limited, accepted one responsibility and so far as Canada is concerned—and it is of that I am speaking—and that was to produce 7,000 Bren light machine guns; and I am very satisfied with the progress they are making and everybody else is.

*By Mr. Brooks:*

Q. That does not preclude any other contracts, of course, General LaFleche?  
—A. Oh, no.

Q. With them?—A. Oh, no. It does not prevent the Department of National Defence or any other department or any other person or firm or any other government from entering into any other contract with John Inglis Company Limited which the other parties might desire. But the only responsibility that they have accepted and the only order that we have given is for 7,000 light machine guns; and the licence under which they are to be made for us is not exclusive.

Q. You will admit, General LaFleche—I did not want to interrupt you—  
A. Not at all.

Q.—that they, with their machinery in their plant, are in a better position than any other company in Canada to take further orders for the manufacture of small arms in Canada?—A. Yes, materially; but the contract prevents them from doing so without the government of Canada expressing its acquiescence or concurrence in the matter. On the other hand, inasmuch as they will be occupied for six years, all of us may feel satisfied that for that period of time that machinery will not be making anything else.

Mr. GOLDING: For instance, suppose it should happen that Colonel Drew were Minister of National Defence; you would not expect them to get any further orders, would you?

Mr. HOMUTH: Now, now—

Mr. McGEER: Let us have the general's statement.

The WITNESS: That is a question that others can answer as well as I; but I believe not.

Mr. GOLDING: He said so himself.

The WITNESS: I think that is common knowledge.

*By Mr. McGeer:*

Q. What about your power to take over?—A. Well, the contract was designedly made non-exclusive, as I said a moment ago; and I want to add that the Bren gun is only one of a number of "the essential arms for Canada's land forces." When I say "only one of the essential arms for Canada's land forces" I say so with very much regret that we are not as far advanced in the acquisition of other Canadian-made weapons of defence—

Q. What are the essential arms of Canada's land forces?—A. They are rifles, revolvers. I heard bayonets mentioned the other day; and I think every soldier, every infantry man, has a great respect for the bayonet.

Mr. GREEN: They are good for making toast with.

The WITNESS: One must eat, Mr. Green. There are cannon of different types; and each type of cannon is a problem in itself. There are trench mortars; there are other machine guns.

*By Mr. Brooks:*

Q. Some day we will have to manufacture all those other arms in Canada, will we not?—A. Well, I made it very clear, or I attempted to make it clear to the gentlemen of this committee that, in my opinion, they should all be made

in Canada; and I also tried to make it very clear when I was last before you gentlemen that, in my opinion or to my knowledge, had there not been the interruptions caused by this article, we would now be making all or there would be in process of production in Canada a greater number of weapons of defence for Canada and of the Empire; and I repeat that. There is a statement here "for good or evil the stage is now set for the private manufacture in Canada of primary implements of war."

*By Mr. Bercovitch:*

Q. Made by whom?—A. All my quotations are from this article in *Maclean's* magazine of September 1st, 1938, headed "Canada's Armament Mystery" printed in green.

Mr. GOLDING: Headed in green.

The WITNESS: That statement, in my opinion, is false; and here is why in my opinion: the contract provides for the production of one weapon with government-owned machinery, dies, tools and jigs, installed in privately-owned premises. The plan of operation was designed to give entire public control of costs of production, of the use of machinery, tools, dies and jigs and so forth and the disposal of the guns when completed. The contract provides for cancellation for cause or at pleasure. The transaction as represented by the contract with the Canadian government is the most economical one from the taxpayer's point of view ever entered into by the Department of National Defence. The contract created a precedent whereby the two governments, each acting separately, to the end of protecting to the best possible advantage the interests of both governments, helped to bring within Canada's grasp the greatest industrial and employment opportunity ever offered to Canada since the Great War. The realization of all possible benefits of this most exceptional opportunity has been impeded by those who have caused delay in our working out the fulfilment of the vast possibility so offered. Not only has Canadian labour and the general financial situation of the country been adversely affected by those who caused the delay but, what is of the utmost importance, the preparation of defences against an emergency or war has been delayed and, without the slightest doubt, compromised. The extent of the damage so caused will never be appreciated unless, unfortunately, it becomes necessary that Canada and the British Empire should be forced to repel naval, military and air attacks. With world affairs continuing as they are gratuitous, shall I say, propaganda such as has been disclosed is fraught with the greatest danger for the welfare of all British subjects and others who would be on our side should war be forced upon us. What has been lost by way of rearming during the delays so caused cannot be correctly reckoned.

Q. Before you leave that quotation, isn't it a fact that there is no public manufacture of implements of war in Canada at the present time, no governmental manufacture?—A. We have the Quebec arsenal.

Q. No, but Colonel Drew was very careful in his remarks— —A. I presume I was absent at the time.

Q. In regard to "killing"— —A. I heard that delightful expression.

Q. All we manufacture in our own government arsenal is certain types of munitions, largely small arms munitions?—A. You are quite right. What we manufacture at Quebec is that which reaches a person rather than that through which the projectile is propelled.

Q. We don't make rifles, or guns, or any kind of tanks or anything of that type in our dominion arsenals, they are merely munitions factories?—A. Quite right.

[Major-General L. R. LaFlèche.]



*By Mr. MacNeil:*

Q. What do you mean when you say that the enquiry has affected the general financial situation?—A. As I said before in this committee, gentlemen, the other day, after the article appeared last September, as far as I recall with one exception and that matter was well within my hands and very well advanced at the time, other inquiries or other possibilities of seeing orders placed in Canada by the government of the United Kingdom ceased, just came to an end. Whereas there were at that time certain matters under serious discussion and very promising. Some of which have been renewed within these few weeks past in large part at my instigation and are again promising. I am firmly of the opinion that Canada has lost, what is it, eight or nine months time, and everything that goes with it, and what is more important the opportunity of improving our defences, and also in the way of putting idle men to work.

*By Mr. Brooks:*

Q. The other day you said that during the investigation which was going on before Mr. Justice Davis you were satisfied that the British secret service, or the war department, were in touch—had their men here following these proceedings very carefully?—A. I do not think so, I do not think I said that.

Q. What did you say in that connection, that is the impression I got?—A. May we not have the record on that—I am so sorry.

Q. I will take your word now?—A. I prefer not to go beyond exactly the words I used at that time.

Q. Did you mention, or not, that there were some British representatives here following these proceedings carefully?—A. I would like the record read—I am sorry.

Q. I will take your word for it, I am asking you now what you said to that effect?—A. It is for my own protection as much as for anybody else that I ask you to refer to the record.

Mr. BROOKS: It would save me the time and the rather difficult task of going through the record and finding what you said.

The CHAIRMAN: I think my hon. friend (Mr. Brooks) will bear with me, that the witness we just finished with was very very careful on that point; and I think the hon. member for Vancouver has been very careful on that point too.

Mr. BROOKS: I am ready to look it up but it will take some time.

The WITNESS: I wish to say that I am being careful not for my own sake, but for the sake of other people.

Mr. BROOKS: I appreciate that.

The WITNESS: I know you do and that is why I presume to say that.

Mr. BERCOVITCH: Continue your statement.

The WITNESS: I was asked another question before that, I shall proceed, however.

*By Mr. McGeer:*

Q. Just before you leave that statement, I had a discussion with Col. Drew, and I had claimed that I had seen some place a description of that earlier, that this contract represents as distinct from private ownership—and I said that I thought the technical military war office description of this type of contract, or the policy this type of contract represents, was referred to as public ownership with private operation; is that correct?—A. If you will permit me to add one other factor to it I think that is quite all right. Will you permit me to add to the two points you mentioned, that of government control of cost factors—otherwise I think you are right.

Q. That was public ownership with private operation?—A. And control of cost factors, disposal of products and other things of that description; if you add that you are quite correct.

Mr. GREEN: It is really private ownership under a measure of public control.

The WITNESS: If you put that to me as a question I would tell you what I think about it; is it a question?

Mr. GREEN: Yes.

The WITNESS: Then, it seems to me that private industry would mean in my opinion, and as I have always seen it, the fact was that we considered it, if we were to turn this contract to private industry, then the purchase would be at a fixed price, the production would not include any of our control such as we are now giving to this contract, we would not have any say-so in the matter except that on a given date we would get an article which would be inspected and tested and we would pay for it; that is private industry as I would see it in this case.

Mr. GREEN: Well, you know that throughout the enquiry Commissioner Davis referred to this set-up as private manufacture of arms.

The WITNESS: Well, I have had a good many long years in purchasing for Dominion government account and I can only tell you what my opinion is on these matters. I have lived in this, I have transpired in it.

*By Mr. McGeer:*

Q. I don't want to have to read the evidence that mentions that again, but it was given before us; all that I had in mind is that I had seen or thought I had remembered seeing someplace this type of contract described as public ownership under private operation, and I thought I had seen it in some of the material I read as a technical description of the war office.—A. That statement is correct; quite correctly describes what is happening here.

Mr. GREEN: Perhaps that was in one of the speeches that you made in this committee, Mr. McGeer.

The WITNESS: May I go on?

Mr. McGEER: No, it was in one of the exhibits, in one of the schedules to an exhibit.

The WITNESS: May I go on?

The CHAIRMAN: Proceed.

The WITNESS: I noticed a statement here. This statement caught my eye.

Major Hahn in the spotlight. The figure in the spotlight is Major James Hahn of Toronto who went to France with the First Canadian Division.

Apart from the question of fair play and decency, it is harmful to national defence to cast suspicion upon a distinguished Canadian officer and a gentleman who in the pursuance of his occupation played such an important part in solving one of our important problems of national defence. Accusations of fraud levelled at Major Hahn are, in my opinion, without foundation. I have not the slightest doubt about his honesty of purpose, and never have had. Had I perceived the slightest indication that such might have been the case, and had I thought it could have been so I would have cut his throat one way or another metaphorically speaking.

*By Mr. Green:*

Q. Before you leave that statement, the facts contained in it are perfectly accurate, are they not?—A. The facts in what?

[Major-General L. R. LaFlèche.]

Q. With regard to his being in the spotlight, that Major Hahn went over with the first division; that is accurate?

Mr. SLAGHT: It depends on what you mean by spotlight?

Mr. GREEN: It is considered quite an honour to have been in the First Canadian Division, and the very mention of that brings honour and credit to a man. I know because I was only in the fourth division.

The WITNESS: I was in the second.

Mr. BROOKS: I was in the second division.

The WITNESS: Then hurrah for the red blue patch.

The CHAIRMAN: Order, gentlemen, I am afraid there are too many war records coming out.

The WITNESS: To the ordinary reader of an article this one would be very obnoxious to the gentlemen mentioned.

*By Mr. McGeer:*

Q. It has been charged, General LaFleche, that Hahn did not give you full disclosures of the status of the John Inglis company; that he did not disclose to you that the company had been in receivership; what do you say about that?—A. I remember most distinctly, I know as one knows that it is daylight outside now, that the organization, as a business, of the John Inglis Company Limited had come to a standstill because of the death of one and the retirement of another of the important shareholders. My gracious, the whole thing was put up to me as a question of an idle plant and its old employees having nothing to do.

Mr. GOLDING: Yes.

The WITNESS: And I was immediately sympathetic to them, as I have been in dozens and dozens of other cases and I have done my best in every case to give advice and assistance as best I could to everybody who has come to me with a similar appeal. There is another plant in Toronto that I have assisted and I have assisted to the best of my capacity and they have secured orders from England.

Q. Well, the charge is that Hahn perpetrated a fraud on the government by failing to disclose the fact that the John Inglis company was not equipped to produce Bren guns?—A. Well, that is nonsensical, such a thought as that; I trust you don't hold it yourself, that is nonsensical in my opinion.

Q. Did you know what machinery was there and what machinery would have to be installed to produce the Bren guns before the contract was entered into?—A. I certainly knew that special machinery, dies, tools and jigs had to be put in there; of course I did.

Q. Did you know what machinery they had there that they could use, was that part of your estimates?—A. We estimated—at least my technical officers who deal with matters such as that discussed the matter with me and told me about it.

*By Mr. Green:*

Q. Do you say that in your estimate you made provision for the fact that the machinery would have to be entirely new, the machinery for the manufacture of the Bren guns?—A. Yes, very largely so, and I would want it so anyway under any circumstances, because Canada is in the position of a trustee, producing a new weapon of great importance to ourselves and to others possibly in time of war, and a great deal would hang upon the success of the production of that particular article. And I knew enough about production to know that one would require the newest, the best obtainable machinery within reasonable cost.



Q. Did you know that the ownership of the plant was in the trust company acting as a receiver for the old Inglis company and was not under Hahn at all?—A. I am not certain about that. I knew that the business of the company was run down because of the death of one and the retirement of another; that the operations of the organization in the past had been successful financially. I knew of the reputation of that organization, the products thereof, since before the war. Your point, I think, is on the question of receivership, is it not? I mean, your question hangs on that word "receivership"?

Q. Yes.—A. I knew that unless new life were given to it it would close for ever.

Q. You really thought that this was the old Inglis company, did you not?—A. Certainly not.

Q. Because that is what you put in your letter—A. From the very fact that it is the same organization, property, I knew he would have the old key and important men, those who knew the business of the old management—

Q. You see, the trouble is, it is a new company which fortunately was able to hire a few of the old men, but the records of the—A. I do not agree with you as to a few. I do not agree with you when you say that.

*By Mr. McGeer:*

Q. May I draw your attention to exhibit 52, General LaFlèche.

Mr. GREEN: Mr. Chairman, Mr. McGeer and Mr. Bercovitch said they were going to have General Laflèche go over this article to point out things that were inaccurate. On that understanding they did withhold questions on some points the General has already raised. Mr. McGeer has dropped that and gone on to an entirely different point, and I would suggest that we should be permitted to carry on.

Mr. McGEER: I would like to draw your attention to exhibit 52.

Mr. GREEN: Mr. Chairman, I would like to know how it is going to be done. This is another departure.

Mr. McGEER: All right. You finish your statement and I will ask afterwards any questions we have to ask.

The WITNESS: Another statement I notice is: "Contrary to general belief the company which has the contract is not the old John Inglis company which was known throughout Canada as a boiler company for many years." This statement is incomplete and therefore mischievous. It has left me with the impression that it was left incomplete for some reason.

Mr. GREEN: What is wrong about that?

Mr. BERCOVITCH: We were going to allow him to complete his statement.

The WITNESS:

The company which has the contract was organized by Major Hahn and the Plaxton company. Its only connection with the old company is that it has acquired the property of the bankrupt boiler company.

Compared with by knowledge at the time this statement leaves a false impression and is false to that extent.

The organization would have at its disposal the services of many key men of the former ownership and management as well as other men recognized as extremely competent in planning and production methods.

The success which has attended the efforts made since the contracts were entered into with the John Inglis Co. Limited has met in every possible way the

[Major-General L. R. LaFlèche.]

greatest hopes and expectations we held of them. All reports I have received of progress made by the contractors have at all times been, first, entirely reassuring and, secondly, entirely satisfactory as to their efforts.

Another statement:—

Does Canada's decision that it would require 7,000 Bren guns to be manufactured in Canada coincide with the beginning of Major Hahn's investigation of the Bren gun in England?

and in my opinion the sense of that is false.

Mr. MACNEIL: Would you just indicate when you are quoting and when you are not?

The WITNESS: I am sorry. Yes, I had better do that, otherwise it will not make sense.

*By Mr. McGeer:*

Q. You say that that statement coincided with the beginning of Major Hahn's investigation of the Bren gun in England. What do you say about that?—A. I say that it did not.

Q. Why was it false?—A. That Canada would ultimately require 7,000 Bren gun light machines, was known before Major Hahn had been heard of in the department in this connection and certainly before Major Hahn had heard that the department might require 7,000 Bren guns. When Major Hahn first called on the department the only possible sources of supply were Czecho-Slovakia and Great Britain. It then seemed quite probable that the department would buy Bren guns in Great Britain when the department decided to purchase any. It was made abundantly clear to Major Hahn that the Department of National Defence was not in the market and could not buy at that time. When in England in November, 1936, Major Hahn created an interest in Canada as a second source of supply for this weapon.

Upon learning of this possibility from Major Hahn every possible attempt was made to obtain official confirmation of his statement. When it became possible to seek firsthand information from those concerned in England it was learned that indeed the war office officials were and had been interested in Canada and in Major Hahn as he had disclosed to us in his report and conversation of December, 1936. As purchasers, keeping in mind the strategical position, the war office officials were then as keen as I was to exhaust the possibility of having a source of supply in Canada. Having had the advantage of being able to discuss matters with the war office officials and knowing directly from them what they wanted to do, it was up to me to see that a factory would be established in Canada and it was up to me to see that the Canadian taxpayer was relieved of what otherwise would have been an unreasonable burden. Nevertheless, I retained my freedom of action.

Some have employed the term "incompetence," and I defy any person to show me a parallel case where such a tremendous saving of money and the bringing to Canada of so much employment and so many industrial benefits and armament defence benefits have been achieved by any other civil servant.

*By Mr. McGeer:*

Q. What was the date when you decided that 7,000 guns would be required?—A. I think in June, 1936.

*By Mr. Brooks:*

Q. You say there were only two sources of supply, Britain and Czecho-Slovakia. As a matter of fact, there was no source of supply in Britain at that time.—A. I did not even know that, but it was the only probability. I said

that very plainly here the other day. I had in mind that if we obtained Bren guns we would in all probability have to get them in Great Britain, because I was not going to be a party to placing an order in central Europe for these guns.

*By Mr. Slaght:*

Q. Was Enfield at that time contemplating manufacture, do you recall?—A. We so understood, sir, but we did not have definite information, and I trust the members of this committee will bear with me when I invite them to give consideration to the fact that much of what has been called pressure was to get information which we did not have and which I had to have—could not move right, left, forward or to the rear without it.

Then the statement:

It is most unusual to have a provision such as this—

*By Mr. Green:*

Q. Where is that in the article, General?—A. You will see it, please, on page 9, the next to the last paragraph.

It is most unusual to have a provision such as this which only works one way. Its only likely effect is to increase profits for the company.

And that statement creates a very false impression—far from the truth; the opposite of the true impression.

The incentive clause was included in the Canadian contract at the earnest desire of the government of the United Kingdom where, as a regular practice, such a clause is included in contracts. I did not deem it necessary here mainly for two reasons: first, the Department of National Defence would have wide control of all cost factors; and, secondly, in any case the clause would be found in the contract with the government of the United Kingdom which automatically would be additional protection to us without placing any obligation upon the Canadian government.

I finally agreed that the incentive clause should be inserted. I followed my committee that the incentive clause should be inserted in the contract on condition that the clause would not increase the stated possible maximum profit which might be earned by the contractors.

On such condition I was happy to meet the repeated requests made by the war office officials. I had nothing to lose. Our government had nothing to lose. Other clauses of the contract would safeguard the interests of the department in other respects.

Q. What do you say about Colonel Drew's suggestion that the contractor should have been penalized under the contract for having the costs above the standard costs?—A. Could not do it. We control the cost factors, or the government does.

Q. No, but there is no penalty if the cost goes higher?—A. If it does, it is our fault, not his, except for say the rejects. That is for loss due to workmanship beyond a certain level. They would pay for it, and they will pay for it if it goes beyond what is reasonable.

Q. Yes, but under this provision, it is not your fault if the costs are lower, it is not to your credit; at least, Major Hahn gets the credit if the cost is lower, but if the cost were higher do you not think he should be penalized?—A. I cannot agree to that. After all, while the Department of National Defence under the terms of this contract does control the cost factors for the production of the 7,000 Bren light machine guns by the John Inglis Co. Limited, the management and the organization of the contractors have a very heavy and onerous responsibility placed upon them under the terms of this contract. They have shown conscientious efforts to the end of producing for us Bren guns at as little a cost

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as possible and as quickly and as efficiently as possible. I am quite satisfied with that and so are all the officers in my department concerned with the administration of this contract.

*By Mr. McGer:*

Q. You have control of the cost in clause 17 of the contract, have you not?  
—A. Indeed, if that is the clause.

Q. To the extent that you can cancel the contract for excessive costs.—A. I mentioned that, sir. I had it in mind.

Q. I do not want to interrupt you now.—A. But as I have been saying, other clauses of the contract would safeguard the interests of the department in other respects. Another statement I quote:—

5. For instance, the government pays the salaries of all executive officers, officials of the John Inglis Co., although their activities are not confined to the manufacture of machine guns.

That is false, and I refer anyone to the terms of the contract. Another statement, and I quote:—

The John Inglis Co. is to be equipped—

*By Mr. Green:*

Q. Well, General, what is the matter with the statement you have just read?—A. Because it states clearly that we pay the salaries of all executive officers of the John Inglis Co. Limited, although their activities are not confined to the manufacture of machine guns.

Q. You are paying at least a portion?—A. Yes, quite right, of some under the terms of the contract.

Mr. GOLDING: There are a number of executives to whom you are not paying one cent.

Mr. BERCOVITCH: I wish we could go back to the statement again.

Mr. McGEER: If you refer to the contract Mr. Green—

Mr. HOMUTH: We have a list on the record of all that are being paid.

Mr. McGEER: The contract section that deals with it subsection (5).

Mr. SLAGHT: To say the least, if the statement was not false, it was only a half-truth.

Mr. GREEN: It may be interpreted two ways; it is just a question of interpretation.

Mr. McGEER: In any event, to keep the record straight, the clause in the contract that deals with it, no matter what the interpretation may be, is subsection (5) of the contract.

Mr. BROOKS: How did you happen to come to miss it?

Mr. McGEER: And clause (5) (f).

The WITNESS: May I proceed, gentlemen? Another statement, I quote:—

The John Inglis Co. is to be equipped not only for the production of Bren machine guns but also for the production of Enfield rifles and other small arms. In each case every cent of cost of machinery and installation is to be paid by the public.

The Inglis Co. will not be equipped for the production of any weapon other than the Bren light machine gun.

Mr. GREEN: Whereabouts is that statement?

Mr. McGEER: At the bottom of page 32.

The WITNESS: The Inglis Co. will not be equipped for the production of any weapons other than the Bren light machine gun. The truth of the matter

is, and in fairness it might have been so stated, the machinery chosen for the production of the Bren light machine gun was to be of kinds and types which might be used in the production of other small arms, but no factory is equipped to produce a particular article unless dies, tools, jigs and so forth, in addition to machines, are available. Dies, tools, jigs and so forth for the Bren light machine gun will not produce other small arms. The importance of this lack of proper explanation is that the cost of the tools, dies, jigs and so forth would amount to a very substantial amount of money if any other small arms were to be produced. Originally it was the wish to choose machinery which would be used for the production of the Bren light machine gun and also capable of being used for the production of other small arms. That was the wish of the branch of the master general of the ordnance and of no other person. I readily agreed to the suggestion from the master general of the ordnance as a measure of departmental economy and for no other reason. No decision to replace the rifle which is now standard equipment for the militia forces and the Canadian forces has been reached in Canada. I have it from official sources that no replacement weapon has been adopted and been put into production elsewhere. It is perhaps now too late, Mr. Chairman, to direct attention to the fact that an unauthorized disclosure of another war secret has been made in connection with this particular question; unless instructed by higher authority, I submit I do not intend to make any further disclosure about it and I should like to add that Canada must learn to keep secret information to herself, secret information obtained from the most friendly and helpful sources. People who disclose such vital information to the public seem not to understand that they are playing with the lives of the people and possibly with the very security of the state.

*By Mr. Brooks:*

Q. Now, General LaFleche, in every army branch in Canada there are rifles twenty years of age and every soldier who has handled them knows that there is such a rifle. It is not a secret. Then, if England or some other country is rearming with a new rifle and that is published broadcast through the press, that is not a secret.—A. The only source of information, as far as I recall it, that was disclosed by the witness who preceded me was that he saw and that he had it from certain officers, or from one or more officers of my department.

Mr. HOMUTH: Oh, no.

The WITNESS: All right.

Mr. HOMUTH: Officers that he met at various barracks.

Mr. McGEER: They are all officers of the militia department.

Mr. MacNEIL: And the British journals.

The WITNESS: All right. On what authority does any officer of His Majesty's forces divulge information of that kind?

Mr. GREEN: You see, General—

The WITNESS: Now, I put it to you, if I may. That is a serious point.

Mr. SLAGHT: He could be court-martialed for it.

*By Mr. Brooks:*

Q. That is information which is general information.—A. It is not, and I beg your pardon. The point we are dealing with and which the preceding witness mentioned is a war secret. It is out now. I admit, it is said—

Q. What particular secret have you reference to?—A. I won't tell you, Colonel Brooks.

Mr. McGEER: You told us one that is out now.

[Major-General L. R. LaFleche.]

Mr. BROOKS: You tell us the one that George Drew mentioned.

Mr. McGEER: That is out, I understood you to say.

Mr. BROOKS: The cat is out of the bag now. All the harm is done.

The WITNESS: I trust not all the possible harm has been done yet. I am sorry, Mr. Chairman, and I trust that Colonel Brooks will not deem me desirous of withholding information without good reason.

Mr. BROOKS: As a militia man I would not want you to divulge anything that was a state secret.

The WITNESS: I had in my possession, and that subject was mentioned by the previous witness, I had in my hand a note "secret" and it said this is secret information, please see that it is not disclosed. These secrets are not ours; they are given to us on loan and are then scattered all over this country by people such as the preceding witness, and it is terribly bad.

Mr. BROOKS: You will admit that Colonel Drew has been a very good soldier, he has been connected with the militia for years. He should know what are militia secrets and what are not, as well as any other man.

The WITNESS: Yes, I agree that he should know, and I also agree that he should be extremely careful in dealing with such matters.

Mr. GREEN: We are faced with this situation. We have regiments in most of our cities and we are told by the officers in desperation that they have old war-time rifles that are not accurate and mechanically defective, and that we have to get new rifles. We have a duty to the country to raise questions about that in parliament. I did it this year on March 14, and this was my question: "Is it the government's policy to purchase rifles or to manufacture them?" The minister's reply was: "The government's policy in that regard will be determined in the future. At the moment I am not in a position to state definitely what it will be." Then I quoted to him information in a report in the *Ottawa Journal* of a meeting of the Dominion Rifle Association, I think it was, in which one of the leading officials of that body said a large percentage of the rifles were so old that they were inaccurate and not fit for use in shooting. Now, that condition has got to be disclosed to the government and to the public to get action on it. I do not see that there is any complaint about that. Actually these reports were in the press.

Mr. MACNEIL: Is that what you refer to as being a secret?

Mr. McGEER: No.

The WITNESS: No.

The CHAIRMAN: May I try to clarify a point with regard to that. Mr. Green asked a certain question with regard to secrecy. I think the witness and the hon. members are dealing with two different things. I understood from what General LaFleche said that the secret referred to was in connection with a new weapon being or not being produced in Britain. Was not that it? I am trying to be helpful.

*By Mr. MacNeil:*

Q. The standard issue of a new weapon is not usually regarded as a secret, the issue of the weapon?—A. I agree that when one issues a new weapon it is not ordinarily a secret, but, sir, we are not on that point.

Q. The United States army developed a new rifle, a semi-automatic rifle. That was not regarded as a secret. It was published throughout the journals of the United States.—A. I have told you what happened, that is this particular subject was mentioned, and what I had in my hand.

Q. I am not pressing for information.—A. I know you are not.



Q. You say some secret has got out; if it is out, it is no longer a secret.—  
A. I will go no further on that point, and I have submitted to the chairman why I will not say anything more unless I have instructions from higher authority.

Q. No secret was improperly divulged?—A. Yes I believe it was improperly divulged.

*By Mr. Slaght:*

Q. May I ask this question without embarrassing you in your reservations? We heard from the last witness that he was a member of an officers' association and he and his fellow members meet with the general staff from time to time and discuss armaments. Would these consultations and conferences between the last witness and his associates and the general staff be matters which it was proper to disclose to the public either verbally or by way of publishing it in a magazine?—A. Well, to measure my answer by the case which I mentioned a moment ago, I would say most certainly that is not to be made public, most certainly it is not.

*By Mr. Brooks:*

Q. As a matter of fact, General LaFleche, do not they publish an account of their proceedings in mimeographed form?—A. Yes, but do you not know that the circulation of that is limited and care is taken not to publish it, or at least care is taken not to mention in such informative circulars or memoranda matters of importance from the secrecy point of view?

Q. Matters that are stated that are strictly secret, and I have seen quite a few of these reports myself.—A. Undoubtedly, you have seen them.

*By Mr. Slaght:*

Q. Are these reports circulated to the man on the street, or within the service?—A. They are intended for selected officers of the non-permanent defence forces of this country.

Q. Are they not marked on the top "confidential"?—A. They are, but I allow for the possibility of their not having all been so marked. That would depend upon the contents of the letter or memoranda.

*By Mr. Green:*

Q. They also publish a quarterly, known as "The Defence Quarterly" which discusses defence questions in great detail, does it not?—A. Yes, they do.

*By Mr. MacNeil:*

Q. Is not that true, Colonel?—A. But not those matters.

*By Mr. Green:*

Q. I beg your pardon?—A. Not secret matters, confidential matters.

Q. And can be purchased by anybody?—A. What can be purchased by anybody?

Q. The Defence Quarterly.—A. Yes, but in the Defence Quarterly you will not find—you should not find, at least, any confidential or secret information given away.

*By Mr. McGeer:*

Q. That is confidential or secret information in particular with regard to the arms or policy of the British war office?—A. We have a double responsibility when we are dealing with secret information which emanated from another source, given to us for our benefit, given to us without cost, given to us for safe-keeping.

[Major-General L. R. LaFleche.]

*By Mr. MacNeil:*

Q. Is it not true that the general staff encouraged Colonel Drew for some time to point out the state of the arms of the Canadian defence forces and try to arouse public opinion?—A. He made a statement the other day, but we have not the terms in which that encouragement was given. Undoubtedly, the feeling in the department is—and it extends way beyond the non-permanent active militia officers—that there be encouragement in matters pertaining to the defence of this country. Of course. But there again, there is a difference between an open communication, whether in writing or in conversation—a confidential communication or a secret communication.

*By Mr. Green:*

Q. Your department would only be too glad to get publicity pointing out the need for strengthening Canada's defence forces, would it not?—A. Yes of a proper kind; and my minister has taken action in the last two years to do that and has done so successfully.

Q. In this paragraph to which you have been referring, there is nothing which is of a secret nature?—A. Well, which one was that?

Q. Dealing with rifles.—A. The rifle is not obsolete. The rifle is the standard rifle for land forces as it is for the Imperial forces. The term, if you are dealing with the word "obsolete"—

Q. What do you do with a rifle when it will not shoot straight, when the bore is worn out?—A. You repair it.

Q. It has to be repaired.—A. Get another barrel, if it is that bad. That is a repair. What is done with an automobile when a part of it breaks or is worn out?

Q. When it is obsolete you get a new model.—A. Yes.

The CHAIRMAN: If you have the money.

The WITNESS: If circumstances permit it, if a new one of the old model or a repaired old model does not serve the purpose.

*By Mr. Green:*

Q. If you could get the money, you would like to have new rifles for the defence forces, would you not?—A. I have never had a request for new rifles as a replacement weapon.

*By Mr. MacNeil:*

Q. On the point of secrecy, the only secret there could be would be relating to the specifications of the new type of weapon adopted; and I put it to you that Colonel Drew never at any time referred to the specifications of any new type of weapon. Is that not true?—A. I told you that the witness whom I have succeeded in this chair dealt with secret matters; and at that time I had a memorandum in my possession, when at the table in the rear, which asked me to see that that was not disclosed.

*By Mr. Green:*

Q. General LaFleche, Major Hahn states quite frankly that his firm was equipped for the manufacture of rifles, and that was the intention. The contract says so too.

Mr. McGEER: Oh, no.

The WITNESS: I told you that the fact is that the machinery which I purchased can be used and was chosen for that purpose, in the production of other small arms. But I say the factory is not equipped to produce other small arms.

*By Mr. Green:*

Q. You mean that there would be, of course, other tools, dies and jigs?—A. Quite right.

Q. But the machinery is the same?—A. The machinery was chosen for the purpose of it being suitable for use in the production of the Bren light machine gun and other small arms.

*By Mr. MacNeil:*

Q. That is the only place— —A. As a measure of economy.

Q. That is the only place where we can now make rifle barrels, for instance?—A. Yes, the only place in Canada, to my knowledge and belief, where barrels for service rifles can be made.

*By Mr. Bercovitch:*

Q. Have you finished this statement?—A. Not yet.

*By Mr. McGeer:*

Q. There was no other place where you could make rifles before this plant was set up either?—A. There was none, no.

Mr. MACNEIL: Get on with your statement, Mr. Bercovitch says.

The WITNESS: Another statement is:

Another provision which requires some explanation is the undertaking by the government to grant a licence for the manufacture of Bren guns for a period of ten years.

That statement is of a nature to create further suspicion. Had the words "not-exclusive" been added, at least an attempt at fairness could be acknowledged. It could have been seen in the terms of the contract that the contract would last about six years. In those circumstances, to have granted a non-exclusive licence for ten years was good business. Another statement is—

*By Mr. Green:*

Q. Before you leave that one, the contract actually does provide just what Colonel Drew says, does it not? It does provide for the government granting a licence for the manufacture of the Bren gun for a period of ten years, and it goes further and says it will be renewable for a period of ten years afterwards.

Mr. McGEER: No. It does not say that at all. It says that the government shall grant a non-exclusive licence. You may as well say that.

Mr. GREEN: The contract says:—

The Party of the First Part will provide that there be granted to the Party of the Second Part—

That is the Inglis company.

—a licence (not exclusive) to manufacture the Bren gun in Canada. The term of this licence shall be for a period of ten years from the date hereof.

Mr. McGEER: Non-exclusive.

Mr. GREEN: Continuing:—

The said licence shall be renewable after the said term of ten years from time to time for a like period or periods by a mutual agreement of the parties hereto.

So the article is absolutely accurate.

Mr. SLAGHT: May I ask why the witness deleted the words "not exclusive"? May I ask why he deleted the words "not exclusive" which were in the contract?

[Major-General L. R. LaFlèche.]



Mr. GREEN: No. He simply says that there is a licence for a ten-year period.

Mr. SLAGHT: In the contract you read, after the word "licence," the words "not exclusive."

Mr. GREEN: He does not say it was not.

Mr. BROOKS: The licence is still for ten years.

Mr. McGEER: Surely, it may be.

Mr. SLAGHT: If he deletes an important word, you can justify it.

Mr. GREEN: It is not a case of deleting at all.

Mr. SLAGHT: Just left it out; forgot it, I suppose.

The WITNESS: By leaving it out, one would create a very wrong impression, and the degree of the intent or the degree of the—what shall I say? Just stop there. Another statement is:—

The least that can be said is that the contract is extremely favourable to Major Hahn's company."

Mr. GREEN: Whereabouts is that?

Mr. McGEER: Page 32, at the middle of the page.

Mr. GREEN: It does not help a bit.

The WITNESS: We will have to get a new copy of this. It says:—

The least that can be said is that the contract is extremely favourable to Major Hahn's company. Even if the contract is cancelled before the company gets into production, the company will receive \$43,750. The reason for this generosity is not given.

There is another section of the contract which provides for cancellation for cause and without compensation. The arrangement to pay contractors a certain stipulated sum should the contract be cancelled for other reasons is eminently fair and the amount involved is from the point of view of the department entirely reasonable. The impression created upon me when reading the article is that the statement is unfair.

*By Mr. Brooks:*

Q. Well, it is correct, is it not, that if the contract is cancelled the company will receive \$43,750?—A. I said that, in my opinion, it is an unfair statement.

Q. Well, it is a correct statement.

Mr. SLAGHT: Half true.

Mr. BROOKS: That is your interpretation..

*By Mr. Green:*

Q. The actual fact is that the Canadian government has to pay not \$43,750 but \$50,000.—A. The contract reads \$43,750.

Q. We were told by Mr. Fraser Elliott that had been changed to \$50,000: the British have to pay \$25,000 in addition, making a total of \$75,000 that Hahn gets.—A. Yes; and this is the amount that the British considered reasonable.

Mr. GOLDING: What page is that?

The WITNESS: This is the amount which the British war office considered to be reasonable; and I think the term that was suggested was as one favourable to the government.

Mr. GOLDING: Mr. Chairman, Mr. Green is quoting from Mr. Elliott. He insisted yesterday on Mr. McGeer referring, every time he made any quotations, to the page and everything else. Now I ask him to refer to the page where Mr. Elliott made that statement.

Mr. BROOKS: What did Mr. McGeer say? He said, "Look it up yourself."

Mr. McGEER: Then I looked it up.

Mr. GOLDING: I ask for your ruling on this, Mr. Chairman.

Mr. GREEN: General LaFlèche, actually the fact is that that figure has been changed to \$50,000?

The CHAIRMAN: May I remind my hon. friend that the hon. member has the floor. What is your question?

Mr. GOLDING: My request is—which Mr. Green said was absolutely fair when Mr. McGeer was talking yesterday—that when he quotes now from Fraser Elliott's statement he give the page in the record here where he said the sum was \$50,000.

The CHAIRMAN: I have absolute confidence in Mr. Green's judgment; and if he said that was fair, I will accept that. No doubt he himself will acknowledge it and quote the page.

Mr. GREEN: Perhaps we could short-circuit it.

Mr. GOLDING: No.

*By Mr. Green:*

Q. Is it not a fact, General LaFlèche, that by the agreement now, Canada is to pay \$50,000?

Mr. BERCOVITCH: No.

Mr. GOLDING: Quote the page.

*By Mr. Green:*

Q. That Canada is paying \$50,000?—A. I do not think the contract has been changed.

Mr. GOLDING: Now, Mr. Chairman, I ask for a ruling.

Mr. McGEER: If you are willing to accept the question, let us get on.

Mr. GOLDING: Just a minute. He is quoting and putting words in Mr. Fraser Elliott's mouth.

Hon. Mr. STEWART: Which came out of them.

Mr. GOLDING: All right.

Mr. GREEN: You look it up.

Mr. GOLDING: Will you quote from the page where Mr. Elliott made that statement? I ask you, Mr. Chairman, is that fair to Mr. Fraser Elliott, if it should be shown that he did not make that statement? I have no recollection of him making it.

Mr. GREEN: I will make it as a statement myself, that that has been changed to \$50,000.

Mr. GOLDING: That does not amount to anything. That is nothing at all.

Mr. BROOKS: If you do not agree with it, you look it up and prove it is wrong.

Mr. GOLDING: That is not the ruling you asked for yesterday.

Mr. GREEN: I will be glad to look it up if I ever get out of this committee.

Mr. McGEER: Let him ask his question and maybe it will satisfy you.

Mr. GOLDING: Do not quote him any further unless you show where he made the statement.

The CHAIRMAN: I am sure if the hon. member makes any more quotations, he will give the reference.

Mr. McGEER: I think if I ask this question I will cover everybody.

[Major-General L. R. LaFlèche.]

*By Mr. McGeer:*

Q. General LaFlèche, clause (b) of section 18 of the contract at page 14 reads:—

If the contract is so cancelled before production has commenced, the Party of the Second Part will be paid the sum of \$43,750; if the cancellation is effected after production has commenced, the sum of \$43,750 hereinbefore mentioned shall be reduced by an amount which bears the same ratio to \$43,750 as the total amount of profit actually paid or due to the Party of the Second Part under this contract bears to the overriding maximum profit (\$267,000) referred to in section 4 (b).

Has there been any change in that provision in the contract?—A. I do not think so, sir.

Q. That was the section that was amended by the British war office and accepted as they forward it to you, was it not?—A. The war office offered that suggested amendment of that clause as one favourable to the government and it was so accepted by us.

Q. And put in as the British war office revised it?—A. Quite right.

*By Mr. Green:*

Q. General LaFlèche, the provision was based on a total of \$75,000 being paid to Hahn?—A. You are quite right.

Q. A certain proportion by the British government and a certain proportion by the Canadian government?—A. I will say this, that the amount of \$43,750, as I remember it, does not correctly represent the ratio as between the two governments. Our ratio is lower; it should be if one takes as a governing total amount \$75,000.

Q. Someone has told us that Canada's share was \$50,000, I marked it down as that?—A. I do not think the contract has been changed.

Q. He said the contract had not been altered but that was the understanding, that we were to pay \$50,000. In any event, section 17 provides, "In the event of unreasonable delay or default or the incurring of excessive costs under this contract by the party of the second part for which it is found to be solely responsible as being occasioned entirely by the conduct of the party of the second part in respect of matters within its control and contemplation, the party of the first part may serve the party of the second part with written notice requesting the party of the second part within ninety days to take required steps to proceed with the performance of the contract in accordance with the spirit and intent thereof."—A. You are right, sir, I mentioned that in general terms a little while ago.

Mr. McGEER: Proceed.

The WITNESS: Another statement:—

The public has the right to know what the plans of the department are for the purchase of rifles and other small arms to replace the obsolete weapons with which our forces are now equipped.

This is false.

To speak of rifles, I may say that they are not obsolete weapons; furthermore, there has been no demand for replacement weapons. The mention of obsolete weapons is also false in regard to certain other machine guns in regard to numbers on hand, modern types and serviceability. Again, in my opinion, there has been a most unwarranted disclosure which has been of the nature of belittling Canada's means of defence. I cannot understand why persons seem to glorify in making such statements nor do I know of any authority such persons may have to make such statements on these matters. It would have to be because



the information was secured by reason of the position the individual might hold, or because of the peculiar circumstances under which he might have obtained that information.

*By Mr. Brooks:*

Q. Might I ask you, General LaFleche, about the rifles or any of the other articles being serviceable or up to date?—A. I said, sir, these rifles, the ones we have in mind, are not obsolete, they are not so regarded.

Q. They are serviceable?—A. They are the standard weapon of our own forces and of the British.

*By Mr. MacNeil:*

Q. You have seen exhibit 69, the report of Col. Carr?—A. Yes.

Q. Why did Col. Carr in that memorandum refer to such weapons as obsolete or about to become obsolete?—A. Did he say that?

Q. He says, "all our equipment in this range is obsolete or about to become so."—A. Not obsolete.

Q. He says, "Obsolete, or about to become so."—A. That is an unfair inference.

Mr. MACINNIS: That is the statement he made in 1936.

The WITNESS: I also said something the other day about the fact that machine guns are considered to be of very great importance, and the establishment of machine guns per unit is much greater than it was in your time and in mine.

Mr. MACNEIL: What was the date of Col. Carr's statement?

Mr. MACINNIS: I think it was July of 1936. I am not sure. It is exhibit 69.

*By Mr. McGeer:*

Q. We were told that all the machine guns in Canada were obsolete?—A. They are not.

Q. Well, if there were the possibility of a new gun being developed and that development did not take place that might have given rise to Col. Carr's belief that the weapon in use while standard, was about to become obsolete?—A. Yes, and you have hit very nearly I think on the true and correct explanation of what did happen. Supposing that the idea had arisen that it was time to have something else, and something was done about it by way of research, experimentation and so on, and later it was decided that it was not necessary to proceed with that to bring it into use—well, that is the way you might possibly put it.

Q. We have the opinion from Col. Drew, and I questioned him on it; I said, you state that the British War Office is developing a new Lee Enfield rifle, and you also said that the rifle is in production and it has superseded the rifle which was used in the Great War, and I said to him that is not correct?—A. What did he say?

Q. He said it was; was his statement true or not?—A. He was mistaken.

Q. What he said was this, that he made his statement on information that could not be questioned, I tried to get it out of him but he said it came from British periodicals, and he gave me as a member of the committee the impression that he had it as a public statement or as a record from the officials responsible in the British War Ministry.—A. I have testified this afternoon, I have given you the very best opinion of which I was capable, and I said it on the—I forget the date—it was at the end of last week or the beginning of this week—and it is the latest possible information. It is exactly as I described it to you a while ago.

Q. Was Col. Drew's statement correct or not?—A. Col. Drew's statement in evidence that our present equipment is in every respect obsolete, is not correct.

[Major-General L. R. LaFleche.]

Q. For those reasons?—A. If he says that a replacement weapon is being procured, he is not correct.

*By Mr. Brooks:*

Q. Do you say that they are not developing a new Lee Enfield rifle in England?—A. I suggest that I have made my statement in that regard, I have answered categorically the questions put to me, and I believe my answers were very much to the point.

*By Mr. MacInnis:*

Q. Do you agree with the expert who gives his opinion in exhibit 69, that is the exhibit signed by Col. Carr?—A. To what effect is it?

Q. To the effect that all of our equipment in this range is practically obsolete or about to become so.

Mr. McGEER: What is "this range"?

Mr. MACINNIS: He refers just before that to the range, from the pistol to the machine gun; all that class of weapon.

*By Mr. MacInnis:*

Q. Do you agree with Col. Carr? Do you disagree with him?—A. In what respect?

Q. That practically all the weapons in the light weapon class, in this range, are obsolete or about to become so?—A. I have covered rifles. I made a statement here a moment ago about them. Certain machine guns—I didn't name them, but Mr. MacNeil would know what I have in mind.

Q. This is a very general statement. Do you agree with it or do you not?—A. I do not agree with it.

Q. You don't agree with it?—A. No—it is very difficult—it is not a proper question.

*By Mr. MacNeil:*

Q. I am not pressing you to reveal anything that should remain secret, so you may answer with any reservations you wish. We may be at cross-purposes. As I understand it the Lee Enfield rifle that we are now using in the defence forces of Canada, those that we have in our armouries at the present time, is the same weapon that is regularly used by the British troops in the United Kingdom?—A. The weapon you refer to was on the 13th of May, 1939, I have it from the senior officer of the branch directly concerned with the matter, and if I may I will read: "This was the accepted service rifle in the British service and are all"—he is referring to those we have—"and are all in serviceable condition."

Q. That is your officer reporting to you?—A. There it is, you are an old soldier and you are a member of parliament—I would not want to give it out to the public.

Q. I don't want to see it. That report is a report to you from your subordinate officer?—A. Yes.

Q. My question was, let there be no misunderstanding about it, whether or not the rifle referred to by you, and in that report, is the same as the rifle being used in the United Kingdom for arming the British forces?—A. I was referring to rifles now in the armouries of Canada and in reserve.

Q. Is that type of Lee Enfield the same type of weapon that is being issued to the troops of the United Kingdom?—A. Yes.

Q. Is there any other type being issued to the British troops?—A. There is not.

As the cost of 200,000 rifles, which would have been our approximate requirements, would be at least \$5,000,000, further interesting prospects of profit are open to our new armament producers.

That is from his article. This is impertinent supposition made in the face of the publicly known fact that the Canadian contract with John Inglis Co. Ltd. is not exclusive and is for the production of Bren light machine guns only. Furthermore, no demand for a new mark rifle for Canadian land forces has been made.

I am trying to talk by the book.

*By Mr. Brooks:*

Q. Just so there will be no misunderstanding, you are speaking now of the present?—A. I beg your pardon?

Q. I say, in the statement you are making you are speaking of the present time?—A. I cannot conceive of any person alluding to such a matter unless he knew and had reason to believe that there was an imminent demand for 200,000 rifles. You see when one mentions numbers and in referring to the article he uses a term such as obsolete, it must create some impression, and I have repeatedly tried to convey what I think the impression has been upon me.

Q. We all know, General LaFleche, that we would like to see our Canadian troops equipped with just as good rifles as the men they might possibly have to fight against?—A. I am entirely in agreement with you. We also know that the John Inglis company plant has been equipped with machinery suitable for the manufacture of Enfield rifles.

Q. Is it not logical to suppose that this company may some day, perhaps in the not too remote future, also be producing Lee Enfield rifles for the Canadian troops?—A. We cannot see them possibly producing before six years because the present work on their books will occupy all their machinery, will keep them busy for double and triple shifts, after the first initial experiment.

Q. You are speaking of peace time now?—A. When you work at double or treble shifts you cannot do much more than that.

Mr. McGEER: There is a provision in the contract that in the event of an emergency the government can take the company over.

Mr. BROOKS: That they can take the company over, but they can take the company over in peace time too.

Mr. GREEN: If I might be allowed; I have now the quotation that Mr. Golding asked for. It will be found at page 285, about half way down the page:—

That is  $\frac{7}{12}$  of the \$75,000 and, parenthetically, I may say that that has been increased to \$50,000 by agreement because England said, inasmuch as we are paying one-third of the cost of the entire machinery we think you should assume two-thirds of the risk of cancellation. That was adjusted so that you can really read \$50,000 there.

Then, on the following page:—

Q. Then the statement made is correct, that if the contract was cancelled to-day they would be obliged to pay the Inglis company \$50,000?—A. I would think that is correct.

So they would be obliged to pay the Inglis company \$50,000.

Mr. GOLDING: You should have had that before you when you made your statement.

*By Mr. MacNeil:*

Q. Perhaps you could help us with this—I suggest there is no criticism of your business judgment—but if you required to procure Lee Enfield rifles from a source in Canada you would have no alternative now but that of going to the

[Major-General L. R. LaFleche.]



John Inglis company; is that not correct?—A. May I answer that matter-of-factly. I said the other day before you gentlemen that I want to be realistic in these matters. I want this equipment. We need it. Therefore, my answer is this: That if we did need rifles I could not go and I would not go to the John Inglis Co. Limited. All their machinery is busy and will be for the period of the contract, about six years.

Q. Unless it is speeded up?—A. No, I think not, sir, for this reason, that their schedule of production calls for double and triple shifts to complete their contract.

*By Mr. Homuth:*

Q. Then if we need these rifles we either have to start another plant or get private industry to turn them out for us if we want to have them produced in Canada?—A. As I see it, if we wanted that particular article we would have to take other steps to get it; if we wanted it now or shall I say before the war ended.

*By Mr. McGeer:*

Q. In any event, there was no intention when the contract was negotiated and signed that you would have a supply of rifles coming from the John Inglis company for any possible emergency that was in the picture then or is in the picture now?—A. You are perfectly right, and I will add to that there was no demand for rifles in sight. There is none to-day.

*By Mr. Green:*

Q. General, why can you not expand the dominion arsenals to manufacture rifles? The Honourable Mr. Mackenzie said on the 16th of May as reported on page 4423 of *Hansard*:—

I think it is proper to develop the dominion arsenals for the manufacture of ammunition and small arms if a fairly permanent production is required.

Mr. McGEER: Could we not get on with his statement?

The WITNESS: I have my ideas about those things.

*By Mr. Green:*

Q. You agree with that?

Mr. McGEER: The minister has given full information about that.

The WITNESS: He has, and I am his deputy. He is the man who announces the policy.

*By Mr. Green:*

Q. Do you agree with that statement?—A. Oh, well, theoretically, of course.

Q. Pardon?—A. I would always favour public ownership if it were possible by using that method to assure to Canada the volume of production that would be required in war time, but that you cannot do unless you use all the industry in the country.

Q. You do not agree with the report of the royal commission in Great Britain which investigated the whole question of the private and public manufacture of arms?—A. I don't? My gracious, I studied that very carefully; I found most valuable information in it.

Mr. BERCOVITCH: Mr. Chairman, for the seventeenth time may I ask that the statement be read?

The WITNESS: Another statement is:—

This stock has value only because the Minister of National Defence has undertaken to buy Bren guns with public money.

Whatever value to the John Inglis Co. Limited there may be in the Canadian contract is definitely stated in the terms of the contract. The statement just read makes no mention of the fact disclosed by the contractors long ago that they placed in operation an idle plant largely because of possible good commercial prospects. It is in my opinion a meritorious thing to re-open plants. Presumably, that is the dream of all public men. I am very happy to have been a party to doing so in this and in a good number of other cases. It must be realized that had my department taken any other course which may be suggested, it would have not been possible to have these guns made in this country unless the Canadian taxpayers were to have been forced to bear something over \$1,000,000 additional cost.

Mr. BROOKS: This was not the only closed plant in Canada.

*By Mr. Homuth:*

Q. General, in your statement you said that "This and other plants." Can you give us some idea what other plants have been re-opened?—A. My statement is,

I am very happy to have been a party to doing so in this and in a good number of other cases.

Mr. BERCOVITCH: Go on with the statement.

*By Mr. Green:*

Q. I suppose, General, you will admit that this Bren gun contract did increase the value of the stock of the John Inglis company?—A. The value of the stock?

Q. That is what the quotation said.—A. To the extent represented by the total possible maximum profit of \$267,000, Canadian account, over the term of, say, six years.

Q. And \$450,000 altogether, counting the British?—A. Yes, if you add the possible maximum profit under the British contract it makes \$450,000.

Q. And the possibility of future contracts?—A. As any plant may have, as any organization may have. But I want to say a word about that, if I may be permitted, and I am sure nobody will object to that. I would like to go on record as saying it right here, if it means anything or not, that I am not envious of any man making an honest dollar or a large number of dollars. I like to see Canadian industry prosper. From the government point of view I would let them make good profits and if they made too much my method would be to tax it out of their pockets.

Q. You have heard about the increase in value of the stock?

The CHAIRMAN: I wonder if my honourable friend would co-operate to the extent of letting the witness make his statement, and would the witness co-operate also?

Mr. GREEN: I am sorry.

The WITNESS: These are all quotations from the article in question:

The Canadian public pays everything.

That is false. For instance, the government of the United Kingdom pays one-third of the heavy capital expenditure for machines, dies, tools, jigs, and so forth. The Canadian government could not have had except for the payment of hundreds of thousands of dollars the results of long exhaustive tests, planning, designs, and so forth, which accrue to our benefit by reason of the fact that the British government are interested in the production of Bren guns in this country. I think, sir, that is ground enough.

[Major-General L. R. LaFlèche.]

*By Mr. Brooks:*

Q. On that last statement of yours about the government paying everything, I think Colonel Drew also stated in another part of his article that the Canadian government pays two-thirds and the British government one-third of the cost of the installation of all machinery and putting the plant in operation. He does not leave the impression with the public that the Canadian government pays everything.—A. Well, that is very plain language to me—"The Canadian public pays everything."

Q. You have to take the article, of course, as a whole.—A. I am not averse to doing that if all would. I get your point, sir.

Mr. GOLDING: Are you through with the statement?

The CHAIRMAN: The General has a statement he wishes to make.

Mr. GOLDING: I have one question I should like to ask.

The WITNESS: I would like to make a little statement here.

*By Mr. Golding:*

Q. I just want to ask this question. On page 184 of the evidence there was a discussion about the delay in getting these guns, deciding what you wanted to do, and all that sort of thing. Mr. McLean had stated they were urgently required, and Mr. MacNeil makes this comment:—

Urgently required when, December, 1936, when the department received a further report from Major Hahn?

Now, this is what I think is a charge. It says:—

The delay was due to a deliberate attempt to make the set-up for Major Hahn.

Now I want to ask you, General, was it in your mind that the delay was a deliberate attempt to make a set-up for Major Hahn, or was that in the mind of any one in the department that you know of?—A. It was not an attempt, deliberate or otherwise, to make a set-up for Major Hahn or anybody else.

Q. That was on the record and I just wanted to get it cleared up.—A. You will find many things on the record.

*By Mr. MacInnis:*

Q. What efforts were you making after Major Hahn had gone to England the first time to explore other avenues of production?—A. I had not had at that time complete or satisfactory replies to my inquiries of the war office. Major Hahn came here, came back and brought the good news that it would be possible, might be possible, to see a Bren light machine gun factory in Canada. Now, then, I tried to confirm that, and my attempts to get a decision "Yes" or "No," to get a confirmation or denial from the war office, have been termed "pressure." I wanted to know what the war office had to say about Major Hahn's statement to my minister in writing and to me verbally.

Q. Yes, but that does not answer my question. What were the efforts made between the time you first decided to get 7,000 Bren machine guns until December, 1936?—A. We went over that when I was on the stand before. We read communication after communication showing that I was trying to get prices and times of delivery from the war office, and I never got satisfactory replies.

Q. Yes, but there were other means. There was the report from Colonel Carr, about manufacture in Canada by the dominion government.

Mr. McPHEE: He answered that.



*By Mr. McInnis:*

Q. Yes, but the Minister of National Defence, when I asked him that question, said that Colonel Carr would have to be accepted as an expert in that regard and that we could depend on what he said being correct.—A. What did he say and when did he say it?

Q. It is exhibit 69.—A. May I just turn it up now, please?

Mr. McPHEE: I think the minister said he could not get the money to get the guns produced in a government arsenal in Canada. I have been in the House of Commons long enough to know if the minister had brought down an item for the manufacture of Bren guns in Canada in a government arsenal, what would have happened in certain opposition quarters in this house.

Hon. Mr. STEWART: Where would that opposition come from? In the hard days when the Liberal party was pressed in military estimates they always got help from the Conservative party to put them through.

Mr. McGEER: I quite agree; that was not the whole opposition.

Hon. Mr. STEWART: Out of 170 members, where would the opposition come from?

Mr. McPHEE: I included the Conservative party as friends.

Hon. Mr. STEWART: It helped you every time you have had any difficulty with your estimates.

The CHAIRMAN: Has somebody directed a question to me?

Hon. Mr. STEWART: That was not a question.

The WITNESS: Mr. Chairman, may I say one word before anything further; I have been waiting. Mr. Chairman and gentlemen, I heard this afternoon before the last witness quit this chair—

Hon. Mr. STEWART: What is that?

The WITNESS: The last witness before leaving this chair touched upon a point and made certain remarks in connection therewith. He touched upon the question of race, I forget whether he mentioned religion or not. I pride myself on being a Canadian and an old Canadian, a coast to coast Canadian.

Mr. BOUCHARD: Hear, hear.

The WITNESS: I do not think anybody could ever find in my record an act, even a thought, which would sin against what I proclaim myself to be. On the other hand, I wish it to be known clearly that I am a French Canadian, and extremely proud of it; my family has been in this country for about three hundred years.

Mr. BOUCHARD: So has mine.

Hon. Mr. STEWART: Who has sinned against you in that respect, if any?

The WITNESS: You let me finish my statement.

Hon. Mr. STEWART: Just answer that question. You say you are not sinning against anybody; who has sinned against you? Who is sinning against you?

The WITNESS: Members of my race, including my ancestors, have lived in this country and have built up communities, particularly along the two shores of the St. Lawrence river, and that part of the country as well as all of Canada is very dear to me. I have made certain statements before this committee expressing alarm at the possible results of statements made by other persons. Here is my point. That portion of Canada which is the inheritance of my own race duly and lawfully coming down to us in majority, is so strategically situated as to make of it one of the first points of attack if Canada were ever attacked by outside forces.

Mr. BROOKS: Along with the Maritime Provinces.

[Major-General L. R. LaFlèche.]

The WITNESS Along with the Maritime Provinces and with British Columbia. I fully realize that, fully. I want it clearly understood that in addition to my position as an old Canadian I have also dearly at heart that and other portions of Canada's exposed territory in time of war or aggression. I have also thought very deeply of the safety of this country and everything pertaining to making it safe because of the fact that the very roots of my being are in that portion of the country which our race, including my ancestors suffered to conquer and to retain. I simply mean that I am for the defence of this country generally, and every action of mine has been towards that end. In addition I happen to have, through my ancestors, a very long association with this country. I want it clearly understood that from that point of view, in addition to the more general one of my duties, I want security for this country and I resent anything said or done by anybody which would injure in the slightest degree the achievement of our plans and opportunities for making this country safe from aggression. Thank you very much.

Mr. McGEER: It has been stated by Colonel Drew—

*By Hon. Mr. Stewart:*

Q. General LaFlèche, do you think that you have any superior claim to that patriotism to any of the rest of the people of Canada?—A. No.

Q. Do you excel in that?—A. No, but I am explaining myself here this afternoon.

Q. Never mind explaining. Do you excel beyond any of the rest of the people or any of the rest of the members here in that?—A. You heard my remarks.

Q. Why bring it up at all?—A. Because it was mentioned here this afternoon.

Q. By whom?

Mr. GREEN: Coming from the Pacific coast I think I understand something of how you feel because we are in the same position.

The WITNESS: Of course you are; and have I not realized that in the past years.

Mr. GREEN: Were you through with the statement?

The WITNESS: Yes.

*By Mr. McGeer:*

Q. May I just ask one question?—A. Yes, certainly.

Q. It has been stated before the Davis commission and before this committee that LaFlèche's evidence is not to be believed, and that has now been extended to include your evidence before this committee. I want to ask you if every statement you have made at the inquiry conducted by the Hon. Henry Hague Davis as Royal Commissioner appointed by the Canadian government in relation to the matter pertaining to the Bren gun contract and to this committee was based on fact and was the truth, the whole truth and nothing but the truth?—A. To the very best of my ability before God.

*By Mr. Green:*

Q. Were you through with reviewing the article of Colonel Drew?—A. Yes.

Q. Do you quarrel with any other parts of the article than those you have mentioned?—A. I would have to go through it again. I took up, as I explained earlier this afternoon, the points that struck me as I went through it.

Q. I suppose you went through it pretty carefully?—A. No, I did not. There are any number of other points I could touch upon.

Mr. McGEER: In any event, it is all before us. We are able to read the record and judge for ourselves.

The WITNESS: If you permit me, I should like to do one more thing which might be of assistance to the committee, if I can take Mr. Green's words as a sort of invitation to say something more.

Mr. GREEN: They were not meant for that.

The WITNESS: I know.

Mr. BROOKS: I should like to ask—

The WITNESS: Mr. Chairman, I should like to read this, which I think is something new; at least I do not know that you know of it as well as I do, which certainly might help you in your work.

Mr. GREEN: Apparently we are opening up a new subject.

The CHAIRMAN: I am afraid my friend opened this question. As far as I can see it will only take two minutes.

Mr. BROOKS: The question I wished to ask was in connection with the other matter. What I wished to ask General LaFlèche was this: has he not been treated with the utmost courtesy by every member of this committee and by all members of the House of Commons in connection with this matter?

The WITNESS: Most assuredly. I have never said anything to the contrary. I said that before you gentlemen the other day.

Mr. BROOKS: Yes.

The WITNESS: And I am sorry to come back—

Mr. HOMUTH: Now, read your statement.

The WITNESS: Mr. Homuth, I take my directions not from you, but from the chairman.

Mr. HOMUTH: It is nearly 6 o'clock and we are awfully tired.

The WITNESS: Certainly. This is an affidavit certified by a notary public of the province of Ontario by an authority duly appointed, residing in the city of Ottawa in said province. This is the way it reads:—

I, George Edwin Berry, a Notary Public for the Province of Ontario, by Royal Authority duly appointed, residing at the City of Ottawa, in said province, do certify that the paper writing hereto annexed is a true copy of a document produced and shown to me, the same purporting to be a letter contained on National Defence Headquarters File No. C.6865, dated the 28th day of April, 1937, from the Deputy Minister of Justice, the said copy having been compared by me with said documents, an act whereof being requested, I have granted under my Notarial Form and Seal of Office, to serve and avail as occasion shall or may require.

Dated at Ottawa, Ontario, the second day of June, 1939.

(Signed) GEO. E. BERRY,

*A Notary Public in and for the the Province of Ontario.*

Here is the letter.

Mr. GREEN: Mr. Chairman—

The CHAIRMAN: There is nothing contentious about it.

Mr. GREEN: Will you read it first?

Hon. Mr. STEWART: Let us examine what it is and see who it is from.

Mr. McGEER: From the deputy minister of justice.

Mr. BROOKS: That is the letter the copy of which Mr. McGeer read the other day?

Mr. McGEER: No.

[Major-General L. R. LaFlèche.]



The CHAIRMAN: It would only take a minute.

Hon. Mr. STEWART: Mr. Chairman, surely before proceeding to read a document of this kind it is in order to ask that we might have some idea of what it is and the subject matter. This comes up at this stage. We should like to know how it comes up, how it happens to be tendered as evidence, on what ground and on what point it is brought forward?

Mr. GREEN: Are you responsible for this, Mr. McGeer?

Mr. McGEER: No; there is nothing to it.

The CHAIRMAN: Gentlemen—

Mr. McGEER: There is really no surprise in this.

Mr. BERCOVITCH: Read it.

Mr. GREEN: Just a minute, until we see what is going on.

The CHAIRMAN: There is nothing going on.

Mr. GREEN: We suspect Gerry after what he did the other day.

The CHAIRMAN: You read it down there and I shall read it up here. The letter reads as follows:—

DEAR SIR,—I have examined the draft of an agreement between the Crown and the Boeing Aircraft of Canada Limited, and the licence attached thereto, and am of the opinion that same are in proper legal form. I suggest, however, that certain corrections in the draft be made, which I have indicated in red pencil on the copy thereto annexed.

Yours truly,

W. STUART EDWARDS,  
*Deputy Minister.*

Then, attached to the letter is the notarial seal of George E. Berry.

Mr. BERCOVITCH: What is the date?

The CHAIRMAN: 28th April, 1937.

*By Mr. McGeer:*

Q. What is the reason for producing it?—A. This is the first cost plus contract entered into by my department. The draft of the proposed contract was submitted to the Department of Justice, and that first cost plus contract has been used as a pro forma for subsequent later cost plus contracts including the one under consideration here.

Mr. GREEN: We have not had opportunity to compare contracts.

Hon. Mr. STEWART: I suggest to complete the record that we should now have a copy of the contract to which the witness now refers.

*By Mr. McGeer:*

Q. You can produce a copy?—A. I can, sir.

The CHAIRMAN: What is the pleasure of the committee. Shall we proceed with this witness to-night?

Mr. McGEER: 8.30.

The committee adjourned at 6 p.m. to meet to-night at 8.30 p.m.

## EVENING SESSION

The committee resumed at 8.30 p.m.

The CHAIRMAN: Gentlemen, if you will come to order, we shall proceed.

Major-General L. R. LAFLECHE, recalled.

The WITNESS: Mr. Chairman, as I recall the situation just before the dinner recess it had been questioned whether I had gone over the article very carefully and whether I had anything more to say. Well, I did look it over again and I have just a few remarks which I should now like to read.

Mr. GREEN: You did not find some more weak spots, did you, General?

The WITNESS: I failed this afternoon to have a full appreciation of the whole thing and with your permission I will read these comments.

At the heading of the article in *Maclean's* magazine entitled "Canada's Armament Mystery" there is this statement:—

Editor's note: The following article went to press on August 9. The author's statements are based on departmental records of August 5th.

With regard to the title, I want to say that it is false.

Mr. HOMUTH: Mr. Chairman, I do not want to interrupt, but I think it was made perfectly clear by Colonel Drew in his evidence that what he said regarding departmental records was in respect to the stock set up, and so on, and the other records that were provincial.

Mr. SLAGHT: Had we not better hear what this witness was going to say?

Mr. HOMUTH: Never mind, just wait a minute and don't you start anything. I think it was made perfectly clear by Colonel Drew in his evidence that the departmental records referred to the situation within the province of Ontario.

Mr. SLAGHT: That is very interesting, but surely it is desirable that the witness should be allowed to proceed with what he was going to talk about before even the most skillful members of the committee give us a lecture on what Colonel Drew said.

Mr. GREEN: Go ahead.

Mr. HOMUTH: I have never bragged about my skill, Mr. Chairman, but at the same time I still say and I think there are some members of this committee that have an idea they have much more, and I do not happen to be legally trained; but I think I have some practical common sense and the ability to judge evidence that comes forward. Colonel Drew made it abundantly clear to this committee, regardless of what Mr. Hunter said, that the records referred to were the records of the province of Ontario.

Mr. McGEER: I do not think there is any doubt about it. We all agree that Colonel Drew said that. I will subscribe that Colonel Drew said that but of course that doesn't mean that the article said that.

The WITNESS: With regard to the title I want to say that it is false. There was no armament mystery in Canada. The contract was negotiated openly. No matter that should have been recorded was suppressed or concealed. Every bit of information pertinent to the negotiations for the contract, the contract itself, the collaboration with the British war ministry, the execution of the contract and its performance have been recorded in our departmental records as a matter of normal routine practice. If there was any secrecy at all it was due to our respect for British war office practice in that regard, which is much more severe, as everyone knows, than that which seems to be possible in Canada. The editor's note is absolutely false.

[Major-General L. R. LaFlèche.]

There are many statements, as I have shown, made in the article that the departmental records prove to be false. If the author of the article had approached me indicating his suspicion I would have been more than pleased to have opened our departmental records to him so that he could have had all the facts that were in our possession. And I may say I have done that on a number of occasions in other instances. This course would have prevented him from writing an article that was obviously developed in misunderstandings and clouded with misrepresentations. I have no hesitation, Mr. Chairman, in branding this article as a tissue of falsehoods.

Page 34 of *Maclean's Magazine*:—

If through any market stimulation this stock should sell up to \$25 a share, which would not be a difficult market operation, his holdings would have a value of from two to two and a half million dollars.

*By Mr. McGeer:*

Q. Is that a statement from the article?—A. I think so, yes.

Q. Say when you are quoting.—A. That should be in quotation marks. Here is another quotation—

*By Mr. MacNeil:*

Q. Where is that?—A. Page 34.

Mr. McGEER: Column 1.

*By Mr. Green:*

Q. Would you mind reading that again, General?—A. "If through any market stimulation stock should sell up to \$25 a share, which would not be a difficult market operation, his holdings would have a value of two and a half million dollars."

Q. Are you questioning the accuracy of that?—A. I have some remarks to make.

Q. About that particular statement?—A. Yes, about that one and the one I am going to read now. Another quotation:

With any sort of market profit resulting from further government business which is implied by the contract then this stock might easily have a value of many millions of dollars.

These statements follow the statement I took up with the committee this afternoon: "This stock has value only because the Minister of National Defence has undertaken to buy Bren guns with public money."

This statement could not have been intended to do anything but create in the minds of the public the idea that the John Inglis Company was going to make millions of dollars through future contracting or implied by the present contract, it so struck me. There is no future contract implied, and the suggestion that because the machinery has been selected so that it may be used in producing rifles and other small arms, as well as Bren guns, was purely a precaution by my department for purposes of economy and perhaps emergency. The machinery selected in that way did not cost any more than it would have cost had it been merely selected for Bren guns. These statements are also made after our limitation of total amount of profit had been fixed at the gross amount of \$267,000 from which must be deducted the cost of rejects, the excessive costs, if any; amounts not allowed by the officials who must check and approve all charges before any monies are paid to the contractors, also income tax I believe. No one can honestly or truthfully say or imply, as is implied in this article, that millions of dollars can be made out of a contract for arms where the profit is limited to \$267,000



less deductions which are inevitable in this case, even if you include the British profit of \$183,000, making a total of \$450,000, which in itself would be subject to these deductions that I have mentioned here in detail.

Q. Are you still dealing with this stock statement, General?—A. Yes, these are my comments on these two quotations. No such fabulous figure as is indicated is possible in the way of profits. Let us remember that this contract is to run for a period of about six years. If any such stock manipulation were attempted, I am satisfied that our over-riding clause would apply, and, even if it did not, I am sure we would find ways of cancelling the licence and at any rate of stopping that kind of thing. Take the questions, twenty of them, they are all designed—

Mr. McGEER: Those are the questions on page 34?

*By Mr. Green:*

Q. Before we go on to the questions, General, first of all, the first quotation to which you are objecting is as follows—A. I beg your pardon?

Q. The first quotation to which are you objecting is as follows:

If through any market stimulation this stock should sell up to \$25 a share, which would not be a very difficult market operation, his holdings would have a value of more than two and a half million dollars.

Now, are you complaining about the accuracy of that statement?—A. Well, I cannot concede that such a thing is possible when our contract was giving the company a stated limited possible maximum.

Q. You see, the actual fact is that although there were 191,000 odd shares of a par value of \$6 issued for no consideration—

Mr. MCPHEE: That is not a fair statement. There were assets of the company.

Mr. GREEN: Well the shares from the treasury stock that were sold were sold not only at \$6 a share which was the par value, but at an increased value of \$7.50, so that if Hahn's stock could be sold at \$25 a share the statement is quite accurate, is it not? It would be worth over \$2,500,000.

The WITNESS: Well, a statement which in my opinion mentions an impossibility is of no value whatsoever as an argument and can only mislead the reader.

Mr. McLEAN: Would it not be equally true to say if stock went to \$100 a share there would be \$10,000,000 of profit there, and it would be just as logical to say—

Mr. HOMUTH: Quite as logical, and it might have been.

Mr. McLEAN: I remember a bunch of my friends in a previous parliament raising a tremendous row about the profits from certain stock. They said that if it went to \$60 a share, which was the sum that some of our scandal-mongering friends said it would go, it would be worth a tremendous amount of money. So it would. But, as a matter of fact, it never went above \$15 and went down from there to where the investors actually lost money on it and as a matter of fact it could well happen again. To imperil the defence measures of the Dominion of Canada in this way because it might go, and if it did go and if somebody did something somewhere certain other results would follow, seems to be an unusual procedure. Surely, Mr. Chairman, we are not going to waste the time of the committee going over speculation at this stage?

Mr. HOMUTH: We are not wasting time.

Mr. McLEAN: If it went to \$200 a share—

Mr. HOMUTH: Then it would be worth 200 times as much.

Mr. McLEAN: What would be the amount of profit you would get then?

[Major-General L. R. LaFlèche.]

Mr. HOMUTH: Millions.

Mr. McLEAN: Would you take a little time off to calculate how much it would be if it went to \$1,000 a share?

Mr. HOMUTH: You go and add it up.

Mr. SLAGHT: May I suggest to my friend Mr. Green that it seems to me the clause which the witness strikes at is the suggestion or statement in the article, if it went to \$25 a share which would not be a difficult operation—I am not giving the exact words perhaps which the author used—it would not be difficult to put the stock to \$25 a share. The witness is saying that anybody who read the contract which has been referred to in the prospectus, he would see the limitations on the profits, and therefore he quarrels with the author's suggestion that it would not be difficult to put this stock up to \$25 a share. That seems to me to be the meat of the criticism of such a rash statement.

Mr. GREEN: It is largely a matter of opinion. But General LaFleche, you heard the evidence—

Mr. GOLDING: It would be good opinion.

*By Mr. Green:*

Q. I do not know whether you heard Major Hahn's evidence?—A. I did not hear all of it, sir.

Q. He told us quite frankly that he had invested some \$207,000 and he held shares of a par value of \$862,000, which is a profit right there. These shares were at a market value, also, of \$6 last summer, which shows a profit of four times the investment. So that while Colonel Drew may have gone too far in suggesting the stock—

Some Hon. MEMBERS: Hear, hear.

*By Mr. Green:*

Q. —might go to \$25 a share—

Mr. HOMUTH: He did not go too far.

Mr. GREEN: There had already been quite a profit to Major Hahn for nothing.

Mr. BERCOVITCH: If you threw all the shares on the market and tried to get \$7.50—

The WITNESS: I have been caught that way myself.

Mr. BERCOVITCH: I do not know where you would get.

Mr. McGEER: The point is hardly that. What is suggested, and the criticism is directed at the fact that the statement is made that these shares only have value because of the Bren contract. Now, if they have made any money out of the vendors shares, it is not because of the Bren contract but because they bought the John Inglis Co. assets at one price and exchanged them with the new company at another price.

Mr. HOMUTH: Stock manipulation.

Mr. McGEER: That same matter, quite apart from the Bren gun contract, is a matter which comes within provincial jurisdiction, not within the Department of National Defence.

Mr. HOMUTH: Oh?

Mr. McGEER: That is the whole unfortunate criticism of this thing.

Mr. HOMUTH: Not unfortunate, it is true.

Mr. McGEER: Well, it is not true and it is not fair, and it is not intended to be true nor intended to be fair.

Mr. GREEN: Now, Mr. McGeer—

Mr. McGEER: Do you say the John Inglis Company plant had no value at all? Do you say the John Inglis Company assets had no value at all?

Mr. HOMUTH: \$250,000.

Mr. McGEER: At least \$250,000, is something, and Colonel Drew knew that and notwithstanding the fact that he knew that he published to the public that these shares had no value other than that given to them because the Minister of National Defence made a purchase of armament from this company. Now, that is a lie to the extent of \$250,000 at least.

Mr. GREEN: If you are going to go on like that—

Mr. McGEER: I know; but be fair to the witness.

Mr. HOMUTH: If you divide the total amount of money that they invested in the company, the total share value of the company, it would figure out to a matter of cents per share, not dollars per share. It is proven only too conclusively in this committee that that the great bulk of this stock was received by these people for nothing, and the amount of stock that they were selling was the money that was going into the company, and the rest of it was their stock for nothing. Now, Mr. McGeer may get up and say that. If you divide the whole thing up it would mean about 73 or 76 cents a share for the stock that was worth according to the value placed on it, \$7.50.

Mr. McGEER: The point that General LaFlèche is dealing with, and surely he ought to be given the opportunity to deal with it, after the way he has been treated here in this article without interruption. The point he is saying is that these two statements in the light of this other statement, namely this stock has value only because the Minister of National Defence has undertaken to buy Bren guns with public money—the assets of the John Inglis Co. were by an order of a court given a value of \$250,000 at least. Colonel Drew knew the assets of the company were fixed by a court at \$250,000, and that value of the assets as fixed by the court must play some part in the value of the stock. General LaFlèche was asked a question as to that, but all this argument that you have offered is to something else altogether.

Mr. HOMUTH: Mr. Chairman, I do not think for one moment that this business of trying to place responsibility on General LaFlèche should be allowed to go on. Placing responsibility on General LaFlèche is ridiculous. I do not think for one moment that General LaFlèche had any idea that Pooler Company and other stockbrokers were negotiating the sale of this stock and were using the very argument that Colonel Drew used in his article for the sale of the stock. As to the value of the company, it was said very plainly by Mr. Elliott in his examination before this very committee, on page 167 of the evidence of this committee, if you will follow it through you will see that. I am not going to read it verbatim because I do not want to take up the time of the committee, but if you will read it verbatim you will find it is so. If the members of the committee want me to read it verbatim I will quite readily do so. But you will find there—

Mr. PURDY: On a point of order, Mr. Chairman, is this the witness or what is he trying to do?

Mr. HOMUTH: The Chairman will tell you your point is badly taken.

Mr. PURDY: Is this the witness?

Mr. HOMUTH: No; I am contradicting a statement that has been made by Mr. McGeer.

Mr. PURDY: I should like a ruling.

Mr. HOMUTH: Go ahead and rule.

[Major-General L. R. LaFlèche.]



The CHAIRMAN: May I apprise my hon. friend of the fact that the gentleman who is on his feet is the hon. member for Waterloo South.

Mr. PURDY: What is the hon. gentleman's name?

Mr. HOMUTH: Jones; I am one of the Jones Brothers.

Mr. PURDY: Is it Homuth, or wholemouth?

Mr. HOMUTH: May I say this, Mr. Chairman, without reading from the evidence—

Mr. SLAGHT: The Jones are not related to Baron Munchausen.

Mr. HOMUTH: Jones, Brown and Smith—all of them. In examining Mr. Elliott, I referred to the fact that with the capitalization as set out by the John Inglis Company there was the opportunity of figuring depreciation on the capitalized value of the company. Mr. Elliott at that time said "no," and he referred to a certain company in British Columbia in which he said they had tried to recapitalize the company at an increased value and they refused to accept it so far as the Department of Income Tax is concerned.

Mr. PURDY: Sing it; sing it, friend.

Mr. HOMUTH: So far as the Department of Income Tax is concerned, the value that they would place on the John Inglis Company was \$250,000. I think that sets out very clearly what the value of the assets was, in so far as the Income Tax Department of the Dominion of Canada is concerned.

Mr. McGEER: Mr. Chairman, General LaFlèche was asked a question, and I think that he should be given an opportunity to give an answer to it. I am sure my friend will not think that that is an unfair request.

Mr. GREEN: I did not hear that.

Mr. McGEER: I say that General LaFlèche was asked a question as to whether there were any other misstatements or inaccuracies in the article. I think he should be allowed to complete that statement and then he can be examined on it. I think it is unfair to the General not to allow him to do so.

Hon. Mr. STEWART: Even though it is a new procedure, it sounds good.

The CHAIRMAN: Go ahead, General LaFlèche.

The WITNESS: On page 34 of *Maclean's* magazine, September 1st, 1938, a continuation of the article in question, there are twenty questions. In my opinion they are all designed to arouse the conviction that the suspicions developed in the article that it is a dishonest contract and that those of us who are associated with its development are thoroughly corrupt. There can be no doubt as to the tenor of that article. When I read it—

Mr. HOMUTH: Just a minute, Mr. Chairman. I think General LaFlèche used a term about "thoroughly corrupt." I think he should show us where that was.

The WITNESS: May I repeat that? It is no pleasure to read such things about oneself. I said, Take the questions—twenty of them—they are all designed to arouse a conviction—this is my opinion—that the suspicions developed in the article that it is a dishonest contract and that those of us who are associated with its development are thoroughly corrupt. There can be, in my mind, no doubt as to the tenor of the article. When I read it, it touched me.

*By Mr. Green:*

Q. I cannot hear.—A. I say when I read that article it cut very deeply into me.

Take the description of the incentive clause at the bottom of page 32—I mentioned it this morning. Read the article. It is cleverly written and obviously designed to intimate that Hahn and I had agreed to open a gateway

for undisclosed profits above the \$267,000 limit in the Canadian contract. The article is false in detail and even more vicious in the falseness that comes out of it as innuendoes. Major Hahn and I agreed before the contract was signed that there would be no increase in the total amount of the overriding profit fixed at \$267,000 because of the insertion of the incentive clause in the Canadian contract. You have had, fortunately I think, a matter of written record where I took the stand with Mr. Burns of my department that I was definite in my ideas of what should be the total maximum possible profit. Here are the circumstances. I opposed the insertion of that clause in the contract, and yet when I read the article I feel the accusation that I am guilty—that I am accused of being guilty of trying to include something in a contract that would increase profit on armaments which we, the committee, including myself in the front rank, purported to limit to a stated amount.

The reference to the company as a boiler factory and as a bankrupt boiler company, of course, was soon extended—into the statement that it was a broken-down boiler factory; and that it was an overplayed phrase, not coined by myself. It is cheap and it is not true.

Mr. McGEER: Hear, hear.

The WITNESS: I knew that the organization had been closed in April, 1936. Major Hahn told me when I first met him in October of 1936, that he had made arrangements to take over the plant. I had no reason to disbelieve him then and I have found every statement that he ever made, including that one, to be the truth. The suggestion that Hahn and I were conspiring in a mysterious way to produce profits rather than Bren guns is, in my opinion, the import of the whole article. The article clearly indicates that that was the intention of the author.

The description of the company as outlined on page 32 of the magazine and page 33 is designed to indicate not only fraudulent manipulation of stock but our indifference to the need of executive efficiency of Hahn and his associates. I was never told that this Miss Lillian Maria McCartney, Miss Florence Marjory Campbell and Miss Kathleen Robinson were the directors as Colonel Drew states under the heading "The Three Companies and their Directors" on page 32, "A company which has been entrusted with the job of rearming the Canadian land forces and must be in particularly strong hands." In the first place, the John Inglis Company has not been entrusted with the job of rearming the Canadian land forces. That is the job of the Department of National Defence.

The John Inglis Company has a contract for the manufacture of 7,000 Bren machine guns, but that is only a small part of the job of rearming the Canadian land forces. That statement is false and the impression that has been created that three provisional directors, stenographers in a law office—a most ordinary, usual practice—have anything to do with the executive administration of the John Inglis Company is ridiculous; it is ludicrous. But it is inserted to increase suspicion that the Department of National Defence and myself as deputy minister were unworthy of public confidence. I can only say that the article is from beginning to end, a series of misstatements of fact and false innuendoes and half truths, and that the statements made throughout it are contrary to the records of my Department of National Defence. Thank you, sir.

*By Mr. Green:*

Q. General LaFlèche, I want to come back to that question about the stock and the part to which you objected, where you said "if through any market stimulation this stock should sell up to \$25 a share which would not be a very difficult market operation, his holdings would have a value of two and one-half million dollars.

[Major-General L. R. LaFlèche.]

Mr. McGEER: What is that? He did not say that. He quoted that.

Mr. GREEN: I am reading from *Maclean's* article.

Mr. McGEER: No. You said he said that. I mean that is the way it would go on the record. He never said any such thing. He quoted that.

Mr. GREEN: What do you think I am trying to do?

Mr. McGEER: I wonder more than I can tell you.

Mr. GREEN: I am not surprised, the way you have been carrying on yourself.

Mr. McGEER: I am sure you would not want to leave on the record your statement that he said that.

Mr. GREEN: I did not say that at all, in the first place.

Mr. McGEER: Oh, well—

Mr. GREEN: I am quoting from *Maclean's* article.

*By Mr. Green:*

Q. These shares were actually sold at \$6 apiece, and Hahn held shares to a value of \$852,000?—A. Yes, I understand you, sir.

Q. At least, that was the then market value, and if those shares were to increase to \$25 each that would mean not two million and a half but three million dollars.

Mr. McPHEE: On what basis would they go up in that way?

Mr. McGEER: Witness does not have to answer a question of that kind.

Mr. GREEN: You keep still and let the witness answer my question.

The WITNESS: I really did not get that clear. I knew that you had an excerpt from the magazine article.

*By Mr. Green:*

Q. You know the excerpt I read?—A. I have it, yes, sir.

Q. And it simply said that if the shares were to increase in market value—

Mr. SLAGHT: If you read don't go too fast.

Mr. GREEN: Hahn would hold shares to a value of \$2,500,000, actually making the number of shares that he does hold—the figure is wrong, it would be \$3,500,000, instead of \$2,500,000.

Mr. BERCOVITCH: May I interrupt you?

Mr. GREEN: No, let the witness answer.

The WITNESS: I did not multiply the number of shares held by Major Hahn by \$25 so I do not know; but that is not of importance, an arithmetical error like that, whether it is two million and a half or three million and a half. In my opinion, and that is the way it struck me, and that is why I am trying to convey it to this committee, Mr. Chairman. He began a statement with a supposition, "if," which, of course, technically I presume would let any writer out of overstatement, because he places it as a supposition and then he goes on and gives it a value which in my limited experience is impossible.

Mr. BERCOVITCH: Some one just sent me a note reading as follows:—

George McCullough paid \$500 for his horse. It is now worth \$50,000.

The WITNESS: Well then, that leads me to this—

Mr. GREEN: Hahn has a good horse too.

Mr. HOMUTH: That is all right, the government didn't have to pay for the horse in the first place.

Mr. BROOKS: That is a horse of a different colour.



Mr. GREEN: There is quite a considerable bit of information to the effect that largely because of Col. Drew's article further increase in the price of shares and further sales such as those that took place last summer were prevented.

Mr. McGEER: Oh, well, the Securities Commissioner fixed the price.

Mr. GREEN: It is really a very important matter throughout the whole transaction. My whole point throughout all this argument is that armament firms should not be allowed to double and triple and endlessly multiply their share holdingss simply on the basis of having got the contracts.

Mr. MCPHEE: But if you stop to figure it out you will see that the contract was worth just about 24½ cents per share.

The WITNESS: I would agree with that if it were not for the fact that the condition is obviously one in which the value of the shares of the John Inglis company are not determined by the one contract which he got from my department.

*By Mr. Green:*

Q. Don't you think that the fact that Hahn has the Bren gun contract has anything at all to do with the value of the shares of his company?—A. I say the value was not determined by that contract. I bear in mind, and I think everyone should, that here is an old organization starting up again, with fresh new blood, old brains, new money, with an excellent reputation, with an excellent good will, they did a big business, made excellent profits for a number of years, they started up in business again in the commercial field, and that sir in my opinion was a suitable thing for the John Inglis Company Limited, and I can not see the stock buying public even the "lambs"—

Mr. McGEER: Those are the ones they want to fleece.

The WITNESS: Well, wait a minute now.

Mr. GREEN: You see, in fact, the armament industry—

The WITNESS: I had not finished.

Mr. GREEN: Oh, well, go ahead.

The WITNESS: I cannot see the stock buying public paying high prices for that stock when the total possible amount of money they could make under the government contract was laid down on the table in the House of Commons, so that anybody who wanted to could learn the complete details of the transaction, and by making a few simple calculations they could find out that they were not getting any fancy profit out of it.

Mr. GREEN: The fact is that good money was expected to be paid for the shares, and it was paid last year, and as you are aware the public invest in armament firms, and they are quite well aware of the possibility of further armament contracts. Your own Mr. Fraser Elliott of the interdepartmental committee stressed, did he not, the fact that there would almost certainly be future contracts with this firm.

The WITNESS: And we took action to stop it.

Mr. McGEER: He did not. He said the very opposite. You are quoting from the evidence, from the record, and putting it to this witness as though this were so. He said that the contract was designed so there would be no future entanglements, and that there was no indication of any future contract.

Mr. HOMUTH: No future entanglements in so far as this contract was concerned, but he did say, in no uncertain way, that the firm was going to be in the happy position of being a privileged contractor for any other contracts that were made.

Mr. GOLDING: On what page is that?

Mr. HOMUTH: That is on page 251. Look it up.

[Major-General L. R. LaFlèche.]

Mr. McGEER: He never said anything like that.

Mr. GREEN: General LaFlèche, I was asking you—

Mr. GOLDING: He is quite unfair, it is not on page 251.

Mr. HOMUTH: Perhaps it is not, but look at page 351 or 451—it is there somewhere.

*By Mr. Green:*

Q. I ask you whether it was not a fact that in the mind of the interdepartmental committee Mr. Elliott and some of the other responsible civil servants had taken as a fact that there were almost bound to be future contracts to this company?—A. And as a result of his raising the point we took special action to make this contract a non-exclusive one, and one specifically designed to limit it to the particular article.

Q. But you will admit that he will have between one and one and a half million dollars worth of Canadian government money tied up in machinery, tools, dies and jigs in that factory; isn't that a fact?—A. Canadian and British money, yes.

Q. And you will have part of the Ross rifle equipment tied up in that factory, won't you?

Mr. McGEER: \$43,000 worth.

The WITNESS: We will have in the Inglis plant that portion of the old Ross rifle machinery which was not sold to the public after being on public offer for sale to the public over a period of ten years and all the remaining balance, that portion of the machinery which could be used to advantage in the production of Bren guns in the John Inglis plant is now being used. We are using it. I am satisfied, it has been reported to me that all the machinery that could be used for this purpose is being used in the plant now.

*By Mr. Green:*

Q. And there is no other plant in Canada, public or private, that can make this type of armament for future requirements?—A. There is no other plant set up to make this type of armament, and may I submit now that with the old Ross rifle machinery remaining in the possession of the department in 1938 no small arms could have been made with it.

Q. That being the picture, Mr. Fraser Elliott was not very far wrong when he said at the meeting of the interdepartmental committee at March 14, 1938 (which is exhibit 56) page 4, he said this:—

A member of the committee thought that an assignment, with the consent of the party of the first part (the crown), might have latent in it the possibility of capitalizing the future contracts that the government must give and to capitalize those future rights—and so on showing the stand that he took?—A. In which we all agreed readily with him.

Q. I beg your pardon?—A. In which we all readily agree with him. And I have already pointed out in my evidence that I am satisfied that the department is in a position or would be in a position if necessary to stop any abuse of the contract.

Q. So that then the further quotation in the article about stock which says, "with any sort of market activity resulting from further government business which is implied by the contract itself, this stock might easily have the value of many millions of dollars"—A. I think that is ridiculous.

Q. You think that is far-fetched?—A. I think it is ridiculous.

Q. I am afraid our opinions do not agree.

Mr. HOMUTH: Now, Mr. Chairman, while I hate to reiterate what was put in evidence this afternoon—

Mr. BERCOVITCH: Don't do it.

Mr. HOMUTH: It is not necessary, and I am quite willing not to if you accept it as read; but I will say this in refutation of what Gen. LaFlèche has said with regard to the possibility of the stock increase: This afternoon Col. Drew read an article, exhibit 339—"Members of the Toronto Stock Exchange," which was accompanied by a copy of an article from *Macleans*—"E. H. Pooler & Co., 297 Bay street, Toronto, Adelaide 4902, statistical department, August 24, 1938"—we both stutter at times, Gerry—"a memorandum *re* John Inglis Co., Limited," and it sets out various clauses in the Drew article which, according to their evidence goes to prove the profitable situation resulting from the Inglis company getting this contract; and one clause in particular says, ". . . through any stock stimulation this stock should sell up to \$25 a share, which would not be a very difficult market operation . . ."

Those of us who have purchased stock in the market and purchased stock through a high pressure salesman know something of what has happened to us as a result—

The WITNESS: I agree with Mr. Homuth's last statement.

Mr. HOMUTH: We realize only too fully what might have happened had they been able to go ahead and play with this stock on the exchange. It might have meant millions of dollars to the company as Col. Drew has set out in his article.

The WITNESS: He said it might. Of course, anything might happen, Mr. Homuth; and it is not a question I can answer when you say: is anything possible?

Mr. HOMUTH: No, Gen. LaFlèche, may I say I am not trying to blame you for this.

Hon. MEMBERS: Oh, no.

Mr. HOMUTH: Who said that?

*By Mr. Homuth:*

Q. I am not trying to blame you for this, but what we are saying and I think we have proved it in committee, at least to certain members of the committee, is the possibility of what could happen unbeknown to you or the minister and perhaps others in the Department of National Defence who negotiated the contract. But this is the advantage that these people took of having this contract.

*By Mr. Slaght:*

Q. General, may I have a word with you? On the \$25 hypothetical price which my friends are relying on so strongly, as I understood you, you put it this way: Col. Drew in his article pointed out to the public that if this stock acquired was stimulated to a price of \$25 the result would be so and so, and you have expressed yourself that that is not a possibility in your opinion having regard to the limitations of profits at \$267,000?—A. Exactly.

Q. Did I understand you correctly?—A. You understood me correctly.

Mr. GREEN: \$450,000.

Mr. SLAGHT: Just a moment. I desisted for you a moment ago.

*By Mr. Slaght:*

Q. The inquiry before Mr. Justice Davis I am told lasted some two months—A. A long time, sir.

Q. Col. Drew was present and did not venture to take the witness stand although invited to, as I understand it.—A. I know he did not go on the stand.

Mr. HOMUTH: Was he invited?

Mr. SLAGHT: Yes, he was.

[Major-General L. R. LaFlèche.]



Mr. HOMUTH: We have no evidence to that effect.

Mr. SLAGHT: Now—

Mr. HOMUTH: Wait a moment. Mr. Slaght is not getting away with a statement like that. He said he was invited to do so. Now, have we any proof before this committee that Col. Drew was asked to take the witness stand?

Mr. SLAGHT: Yes, Mr. McRuer and Mr. Geoffrion both said, "you must stop making statements of fact unless you take the witness stand," and Mr. Justice Davis upheld them in that regard.

Mr. HOMUTH: Give us the page.

*By Mr. Slaght:*

Q. Let me conclude with this, Gen. LaFlèche; I am instructed that Col. Drew had every facility to call and offer any evidence he sought to offer on that inquiry, and he did not call a single witness, reputable or otherwise, to venture on oath to the effect that this stock could have been put up to \$25 a share; is that your understanding?—A. It is to my knowledge that no witness of his was called. I know that he could have, had he desired to call witnesses.

Q. And although his hypothetical case on which he based the slur against the contract he knew was challenged by those defending the contract—that is the position, is it not?—A. I believe you stated it correctly, sir.

Mr. BERCOVITCH: Even a most powerful stimulus could not have brought that stock up.

Mr. GREEN: Mr. Slaght is doing something most unusual—he is quoting what he thinks was in evidence at the Davis inquiry and then he is saying to Gen. LaFlèche: Wasn't that what happened, and so on and so forth? If there were a statement made such as he said he should give us the page so that we can check it up.

*By Mr. McGeer:*

Q. I know that Mr. Green will not object to this. During the course of the discussion you said that in addition to \$267,000 there should be the English profits which would increase it to \$450,000. May I call your attention to this statement of Col. Drew which Gen. LaFlèche is using—

Mr. GREEN: Where is the statement from?

Mr. McGEER: You mean what page is it from?

Mr. GREEN: Yes.

The WITNESS: May I offer you my copy?

Mr. McGEER: No. There is no question where it is from: it is from the article. He says he made this quotation from page 34 and then said—this quotation following this statement is also from page 33, column 1—"This stock has value only because the Minister of National Defence has undertaken to buy Bren guns with public money." Now, he not only eliminates the \$250,000 John Inglis estate, but he also eliminates the British contract and says this stock only has a value because of the Canadian contract. He bases the statement on two falsehoods of that kind—on two falsehoods that are plain and obvious—

Mr. GREEN: Not two falsehoods, one fact which certainly had a great deal to do with the value of the stock; you cannot get away from that.

Mr. McGEER: You say the British contract had nothing to do with the value of the stock.

Mr. GREEN: I did not say anything like that.

Mr. McGEER: You made Col. Drew say that he was not telling the truth, knowing as much about this thing as he did, that this stock had only value because of the Canadian contract.

Mr. HOMUTH: Because he could not get the English—

Mr. GREEN: Why did you not ask him that when you had him here?

*By Hon. Mr. Stewart:*

Q. Colonel LaFlèche, I just want to ask you two or three questions, and I do not think we will differ very much on the ground that we take. You were in this committee pretty regularly when Colonel Drew gave his evidence?—A. For most of the time, yes, sir.

Q. You heard him say distinctly that any charges or suggestions of dishonesty involved in the article were not directed at you?—A. I think I heard him say that.

Q. You heard him say also that any charges or suggestions of fraud were not directed at you?—A. I did, but let us remember the record.

Q. You heard him say that in his opinion it was desirable that these small arms should be manufactured in a government plant, did you not?—A. I heard him uphold that theory, yes.

Q. And you heard him say that that policy was one that was supported by officers high in the department?—A. Was one what?

Q. Approved of by officers high in your department?—A. I heard him say that, yes.

Q. You agree with all that?—A. With all what?

Q. That the manufacture of these arms in a government factory was approved by the officers of your department?—A. They have not the approving authority.

Q. Then we will say the recommendations.—A. Let us say, rather, an opinion in favour of that.

Q. What is your opinion on that subject?—A. I have given it several times.

Q. Again, please?—A. On what subject, please.

Q. Oh, well— —A. I beg your pardon. You are a very formidable gentleman, sir, and I am showing you all the respect I possibly can.

Q. I do not intend to be, Colonel LaFlèche; I know you pretty well and I think you know me pretty well, and I desire to be absolutely fair, and you know it.—A. I am sure you do.

Q. I stated my question very clearly. I asked you if your opinion is not that it is desirable that these arms should be manufactured in a government-owned plant?—A. Theoretically, yes.

Q. Theoretically?—A. Theoretically. There are very grave reasons why such is not always either possible or desirable.

Q. That course was, for reasons which you think sufficient and sound, not adopted with regard to the manufacture of the Bren gun?—A. Well, the matter of policy was decided over my head.

Q. Exactly. Then you are going to leave it at that?—A. That is my answer for the moment.

Mr. McGEER: A matter of what policy.

*By Hon. Mr. Stewart:*

Q. I thought you rather approved and justified the manufacture of these guns in a privately-owned plant.—A. In the circumstances such as I found them that was the only thing that we could do.

Q. Well, then, it was not done over your head, as it were?—A. But perhaps you overlook, sir, that the arsenal scheme—

Q. Just that one question please—was it done over your head or not?—A. If you will let me tell you, I have already said "Yes," but—

Q. That is all right—

[Major-General L. R. LaFlèche.]

Mr. McGEER: Oh, now, let him explain.

The WITNESS: I beg your pardon.

Mr. McLEAN: Mr. Stewart knows as well as anybody that the laying down of government policy is the function of the members of government. Officers like General LaFleche are responsible for the administration of departments. Why, then, is he wasting the time of this committee by setting out questions as to government policy?

Hon. Mr. STEWART: Why should you waste the time of this committee by making these irrelevant statements?

Mr. McLEAN: Your questions were entirely out of order by suggesting that it was the duty of the deputy minister of the Department of National Defence to set out policies. He knows that that is not a part of the duties of the civil servants of Canada; it is part of the duties of the government to set out policies.

Hon. Mr. STEWART: I have not made any suggestion to the contrary.

Mr. McLEAN: You have, you have been suggesting policies to General LaFlèche.

Hon. Mr. STEWART: All I was asking was if this was done over his head, and he says—

Mr. McGEER: When you say, "This was done," what do you mean by that? I would like to follow you.

Hon. Mr. STEWART: You know perfectly well what I mean; whether it was the policy to manufacture these guns in a privately-owned plant.

Mr. McGEER: Oh, that is different.

The WITNESS: That is not what I had in mind a moment ago when I mentioned policy and I was not permitted to explain my previous answer. Now, if I may, I will answer your question which is, as I understand it to be, was the Bren gun contract given to the John Inglis Co. Limited over my head. My answer is that it was done on my recommendation.

*By Hon. Mr. Stewart:*

Q. That is what I thought.—A. And I wish to say furthermore—

Q. It was done— —A. May I make a further statement?

Q. All right.—A. Because to be complete I would like to add something to what I said this afternoon. I was saying something about my minister. I made a very definite statement that my minister did not give me instructions, did not tell me how to think, what to do or what to recommend. I apply that statement particularly to this contract, because my statement this afternoon may have been of a general character. I am not sure about it, and I want to make definitely certain that all gentlemen understand that in the matter of the acquisition of Bren guns for Canada the minister did not give me instructions, he did not tell me what to do or what to say. He took my recommendation in that respect, as he nearly always does in all other matters.

I trust that I have made myself abundantly clear in that respect. To come back to your question, let me repeat it: The Bren gun contract for Canada was not given to the John Inglis Co. Limited over my head. It was given to them on my recommendations and my recommendations included the unanimous recommendations of all who had to do with the matter; and I said furthermore that there was no other possible course of action which I could have taken without making the taxpayers of this country pay \$1,000,000 more than they are going to pay.

Q. That is a long answer to a very simple question. However, we will let it go. Were the interdepartmental committee favourable to the manufacture of the



Bren gun in a government-owned plant?—A. The records, and they are replete with records of individual statements made by the several members of the committee, will speak for themselves.

Q. But you are familiar with them?—A. Permit me to finish, please. Certainly manufacture in a government-owned plant and operated by government was not laboured, and I think a careful search of the minutes of the proceedings of the interdepartmental committee on the control of profits will show, indeed, a few instances of mention of the subject.

Q. It must be considered by the committee, must it not?—A. Undoubtedly, yes.

Q. Now, I suppose you will agree with me, General LaFlèche, when I say that it is in the public interest and desirable that there should be no manipulation of stock and no profiteering in stock in armament companies?—A. I unhesitatingly agree.

Q. If these Bren guns had been manufactured in a government plant there could have been no manipulation of stock?—A. Well, as a practical gentleman, in the circles you mention, there are other manipulations possible.

Q. No.—A. Ah, well, you know.

Q. Suppose these Bren guns instead of being manufactured by the John Inglis Co.—A. Yes?

Q.—had been manufactured in a government arsenal or a government owned plant out and out, there could be no manipulation in stock?—A. There could have been no manipulation in stock; you are right.

Q. Now you heard—A. Let me go one step further.

Q. That is a final answer.

Mr. McGEER: No. Now—

The WITNESS: Just a minute, let me tell you—

Mr. McGEER: Now, now.

*By Hon. Mr. Stewart:*

Q. That is the only answer you can make?—A. I am completing my reply. Now, sir, that is fair. I repeat again that in view of the circumstances beyond which neither my minister nor I nor the members of my committee nor the officers of my department had any control, it would not have been possible to have the guns made in a government plant, unless the public were to be charged with an additional million dollars.

Q. That is another branch of the case altogether; that is another subject?—A. No; I beg your pardon.

Q. Yes, it is.—A. I am treating with realities.

Q. So am I.—A. Include that one among your reasons.

Q. I do not think there is any doubt about this reality, General LaFlèche; I repeat that if these guns had been manufactured in a government owned plant there would have been no sale of stock, no incorporation of holding companies and no dealings in stock arising out of the manufacture of the Bren gun in a government owned plant.—A. There would have been no sale of stock in such a case; I fully agree.

Q. That is right?

Mr. McGEER: We had it in the Bank of Canada.

Mr. HOMUTH: You never were supposed to have taken over the Bank of Canada, and it is just the same now as it ever was.

Mr. McGEER: We have had it in the C.N.R.

Mr. HOMUTH: Canada is worse off than it was when you took it over.

Mr. BERCOVITCH: Can we not go on with the Bren gun without going into the banking business now?

Mr. SLAGHT: That is for you.

[Major-General L. R. LaFlèche.]

*By Hon. Mr. Stewart:*

Q. Now, General LaFlèche, just one or two more questions. You have heard Colonel Drew say that it was that feature of the sale of stock and this manipulation of stock that he thought particularly objectionable?—A. I think I heard him say something about that, yes.

Q. Particularly objectionable.—A. I know his state of mind.

Q. And it was with a view to preventing that and having the adoption of the other policy of having these made in a government owned plant, that was his motive for writing this article?—A. That is your opinion, Mr. Stewart?

Q. That is right.—A. I cannot accept—in view of the maliciousness and violence of his article, I cannot give him credit for that.

Q. Now you heard him here— —A. I think it was purely an advertising stunt for personal benefit—

Q. Now, now.—A. I do; everything points to that.

Q. You are travelling a little outside the record.

Mr. McGEER: You asked for it.

The WITNESS: I have suffered from this, Mr. Stewart. I have reason to hold opinions on this matter. I am not malignant and I am not vindictive.

*By Mr. Stewart:*

Q. After Colonel Drew's statement you seem to persist in assuming that charges were made at you?—A. Perhaps your memory is not as good as mine. Do you recall what he left on the record, Mr. Stewart?

Mr. McGEER: He accused him of lying in this committee as well. What are you talking about?

Hon. Mr. STEWART: Everybody has been accused of lying here that has spoken.

Mr. McGEER: We would all be liars if we associated with Colonel Drew very long.

Mr. HOMUTH: Wait a minute. Mr. Chairman—

The WITNESS: I think I am speaking, Mr. Chairman. Am I not the witness here?

The CHAIRMAN: You are the witness.

The WITNESS: A study of psychology will teach one, and it may be applicable in this case, that when a person wrongs another he is ready to do anything however bad to justify his first action.

Mr. McLEAN: That is right.

The WITNESS: Take that to heart and study it over.

Hon. Mr. STEWART: It seems to me—

The WITNESS: I had no reason to hurt that person but he had no reason to hurt me.

*By Hon. Mr. Stewart:*

Q. It seems to me that you are doing a wrong to Colonel Drew in view of his evidence here.—A. Not a bit of it. I ask you to read what he left on the record of this committee.

Q. Certainly, I heard what he put on the record and I heard the examination for two or three days by Mr. McGeer. I heard it all, and he justified everything that he put on the record.

Mr. McGEER: Question the witness.

*By Hon. Mr. Stewart:*

Q. And as you admitted, he made no charge of fraud or dishonesty against you?—A. I should say not.

Mr. SLAGHT: I will give it to you as soon as you are through.

Hon. Mr. STEWART: The witness has admitted he made no such charge.

*By Mr. McGeer:*

Q. Do you mean that? You said, "I should say that he did not."—A. As to what?

Q. That he made no charge against you?—A. Perhaps I did not catch the question. What was the question?

Mr. HOMUTH: Well, Mr. McGeer will tell the answer.

Hon. Mr. STEWART: Your answer was that he made no charge of fraud or dishonesty against you. That was your first admission.

The WITNESS: All right.

*By Hon. Mr. Stewart:*

Q. Do you want to stand by it?—A. I believe that he did not charge me with fraud.

Q. Exactly. That is what I say, dishonesty or corruption.

Mr. McLEAN: Nor untruthfulness?

Hon. Mr. STEWART: Let us take these things one at a time.

The WITNESS: I understand, and if indeed my understanding is correct, then my answer stands. I understand he did not charge me with fraud. I understand he did not charge me with corruption.

Hon. Mr. STEWART: Exactly.

The WITNESS: I understand he did not charge me with—

*By Hon. Mr. Stewart:*

Q. Dishonesty?—A. All right; I believe he did not.

Q. That is about as far as you want to go?—A. You are forgetting the balance of the record, which is a remarkable thing for a man like that to do for his own base purpose, base purpose.

Mr. McGEER: What was that?

Hon. Mr. STEWART: Wait a minute.

*By Hon. Mr. Stewart:*

Q. You heard what he swore was his purpose in making the statement?—A. When did he swear to that? When has he sworn to anything, that man?

Mr. SLAGHT: He declined to go into the witness box because he would have been under oath if he had gone before Mr. Justice Davis. He comes here where he escapes the Bible.

Mr. HOMUTH: Wait a minute, the only reason they escaped the Bible was that at the very inception of this committee it was decided that it was not necessary to swear witnesses, that the witnesses who would come here we could depend upon, that they would tell us what in their mind was the truth. There was no thought of swearing witnesses at all.

Mr. SLAGHT: I will tell you in a moment.

Mr. HOMUTH: Mr. Slaght is making a statement here and you know, Mr. Chairman, that at the beginning of this committee it was decided we would not swear witnesses.

Mr. TAYLOR: Another speech, Mr. Chairman.

Hon. Mr. STEWART: I have just one other question.

Mr. GOLDING: Go on, finish your statement, General LaFlèche.

Mr. McPHEE: I think General LaFlèche should be allowed to amplify that answer.

[Major-General L. R. LaFlèche.]



Hon. Mr. STEWART: Let me finish. General LaFlèche can take care of himself very nicely.

The WITNESS: I gave a moment ago my understanding of what happened. The record will prove whether my understanding is correct or not.

Hon. Mr. STEWART: Let us leave it at that.

*By Mr. McGeer:*

Q. What was your understanding?—A. As I stated a moment ago and referred to the record.

*By Hon. Mr. Stewart:*

Q. Leave it as the record stands. Now, General LaFlèche, did you hear read into the record the letter or circular issued by the stock brokers in Montreal suggesting that this stock, with very little effort, might be sold or might reach a value of \$25 a share?—A. Probably the letter which Mr. Homuth mentioned a moment ago; unless he read it to-night, I do not think I heard it.

Q. It was entitled Montreal—

Mr. HOMUTH: Toronto.

*By Hon. Mr. Stewart:*

Q. It may be in Toronto, but I thought it was direct from Montreal. I am pretty sure my recollection is correct, because the scene at that time attracted me as being shifted from Toronto to Montreal for the sale of this stock. However, whether it was Montreal or Toronto, you heard that circular letter read?—A. Only as Mr. Homuth mentioned it to-night.

Q. No, by Colonel Drew.—A. No, I did not.

Q. It went into the record before.

Mr. GREEN: This afternoon.

*By Hon. Mr. Stewart:*

Q. It went into the record this afternoon.

An Hon. MEMBER: He was not here.

The WITNESS: Well, I was not here.

*By Hon. Mr. Stewart:*

Q. That is all right. But here was a firm of stock brokers starting out now and intimating that because of these contracts and the contracts that were likely to follow on the same lines, this stock might easily have a value of \$25 a share. Does that not show you the possibility of manipulating stock in a company of this kind on the market?—A. What I know is that from the terms of the contract that such things are not possible.

Q. General LaFlèche, you are in a particularly favourable position to know the terms of that contract. But the ordinary people who buy stock on the open market are in no such position.

Mr. BROOKS: It was published three months after the contract was signed, and was read this afternoon.

*By Hon. Mr. Stewart:*

Q. Yes, three or four months afterwards. It was read this afternoon. It is just an illustration of the fictitious value, as you will admit, I think, that might be attached to this stock by manipulation in the market. Here were brokers starting out to put it up to about \$25. You heard that?—A. I heard Mr. Homuth mention it and it is mentioned in the article, yes; and you mention it again. I think I am aware of what you have in mind.

Q. In view of that, what is wrong with the statement of Colonel Drew that if the stock reached a market value of \$25, the holders would make a profit of the amount he mentioned?—A. Well, the meanness, the false impression given—

Q. Just confine yourself to the question, now.

Mr. GOLDING: Let him answer it.

The WITNESS: I will confine myself to the—

*By Hon. Mr. Stewart:*

Q. As to the profit—A. I will confine myself—

Q.—that will come to the holders of those shares.—A. I will confine myself to the excerpt that you have in mind here. I have it before me.

Q. If the stock reached a market value, not an actual value. You are speaking of actual value based on profits from this contract. Colonel Drew is speaking about something else altogether when he says \$25. He is speaking of the value that would come to that stock through market manipulation.—A. I am trying—

Q. That is different, is it not?—A. I am trying to view this from your point of view, and I am going to try to give you my opinion of it. I mentioned earlier this evening that this particular phrase or sentence begins with "if."

Q. Yes, "if"; that is right.—A. All right. Other gentlemen in this committee this evening brought it to the extreme, and said if the selling price could be brought to \$200 per share, then what would the profits be? However, let us not go to the extreme. But it is illustrative and it is not a very idle thought, after all, in view of the fact that the author used the word "if."

Q. Exactly.—A. All right. My opinion is—and I have expressed it already to-night—that I believe that the market would not, could not support a selling price of \$25 per share. I will admit this, that a few wash sales might go through at any price. I do not see any real buyers at anything like that price. In addition, is there not the question of the Ontario Securities Commission?

Q. I do not know.—A. I think you will find there is.

Q. I do not think so, once a stock gets on the market.—A. I think you will find that brokers would inquire in that quarter and learn something about it.

Q. Do you not think that Colonel Drew is very familiar with the powers of the Ontario Securities Commission of Ontario as to what they might do?—A. You have heard the old proverb that figures do not lie but—

An hon. MEMBER: We have.

Hon. Mr. STEWART: Colonel Drew is not the only man who has given figures here before this committee.

Mr. GREEN: Hear, hear.

Mr. BROOKS: E. H. Pooler was using those figures to sell stocks.

*By Hon. Mr. Stewart:*

Q. The figures I am referring to, as you know, were being used by stock brokers and they are pretty good figurers sometimes, are they not?—A. They try to be.

Q. They are.

An hon. MEMBER: I would hate to trust them.

*By Hon. Mr. Stewart:*

Q. And it was there and through that channel that the manipulation would take place, is it not—not through Colonel Drew at all?

Mr. McLEAN (Melfort): How does this witness know that?

[Major-General L. R. LaFlèche.]

Hon. Mr. STEWART: Do you not know it? You know it very well.

Mr. McLEAN (Melfort): Mr. Chairman, I would draw your attention to the fact that Mr. Stewart is questioning the witness on matters entirely outside of his functions as Deputy Minister of National Defence. He is questioning him as a financial witness, questioning him on money matters outside of his duties, and it is not fair. He should call on brokers or others who know about manipulation.

Hon. Mr. STEWART: I want to be fair.

Mr. McLEAN (Melfort): Then be fair. Surely you should avoid questioning General LaFlèche on matters that an expert broker might be called on to answer, but which certainly do not lie within the purview of his duties to the Crown.

Mr. HOMUTH: My hon. friend passed judgment on stocks.

Mr. McLEAN (Melfort): No, I would not pass judgment.

Mr. HOMUTH: My hon. friend did when he made his speech on the Bren gun contract in the debate in the House.

Mr. McLEAN (Melfort): Your hon. friend said that a gentleman charged with the duty of protecting the public in the province of Ontario had said certain things and had certain powers within his office whereby he could protect the public; and if that was not sufficient protection, then your duty is to get that protection from your government in Ontario. But, surely, to ask General LaFleche to act as an expert in that matter is not fair either to the Department of National Defence or to General LaFleche.

Mr. HOMUTH: I think if my hon. friend will check up his speech, Mr. Chairman, on the Bren gun contract debate in the House—

An hon. MEMBER: What page?

Mr. HOMUTH: 952. I think he will find that he made the statement that these people may make a lot of money out of it, but why should not smart business men make a lot of money out of running a business.

Mr. McLEAN (Melfort): Mr. Chairman, Mr. Homuth is entirely out of order. I never uttered sentiments like that. If these gentlemen were going to make money out of the business, it would be out of manufacturing efficiency. The only way that I ever condoned the making of money was out of efficiency and giving value, not out of stock promoting.

The CHAIRMAN: Gentlemen, I wish to take this opportunity of endeavouring to save the Hon. Mr. Stewart from his friends, and I trust that you will allow the hon. gentleman to proceed with his questioning.

*By Hon. Mr. Stewart:*

Q. You know that stock was sold on the market from time to time by brokers?—A. I do sir, yes.

Q. I would not want to ask you your personal experience?—A. Please don't.

Q. I can give you my own, it would be the same as yours?—A. All right.

Q. Can we agree on this, that very often the selling price of stock on the markets by brokers has very little relation to the actual value of the stock?—A. I am not an expert on that.

Q. I thought you had had some experience?—A. I have, but it does not make an expert of me.

Q. Well, it ought to.

Mr. BERCOVITCH: Why bring that up now, we all feel badly, why remind us of it.

The WITNESS: It passed a long time ago.



*By Hon. Mr. Stewart:*

Q. It was just that sort of thing you heard Col. Drew pronounce here so strongly against the possibility of anything of that kind being done?—A. I knew he was on the subject, I did not listen to him—I should say rather that I was not in a position to hear him very distinctly or was not present.

*By Mr. Green:*

Q. What investigation has the Department of National Defence made with regard to the whole stock set-up and business of the Hahn companies?—A. I beg your pardon.

Q. What investigation has the Department of National Defence made with regard to the whole stock picture of these Hahn companies, or have they made any?—A. Well, we have naturally in the department—I think you have it on the record.

Q. Have you made any investigation of the stock situation?—A. Oh, yes. I think commission counsel during the time of the Bren gun inquiry before Mr. Justice Davis obtained a lot of information, and we were fully and properly informed, and also government auditors were sent up in Toronto. We have those figures.

Q. But the only information you got was that brought out during the Davis inquiry?—A. No, no; we knew of the situation before the inquiry.

Q. What officers of your department made any such investigation?—A. I did not say that we made, that any officer of my department made an investigation. I did not say that; I said that we had reports from reliable resources.

Q. What sources were those?—A. They were special accountants.

Q. Will you explain more fully who they were, do you mean accountants working for the Davis commission?—A. Exactly, yes.

Mr. SLAGHT: Now, Mr. Chairman, I was challenged by my good friend Mr. Green—by my hon. friend Mr. Green and by my hon. friend Mr. Homuth—when I made the statement that at the Davis inquiry where witnesses went into the box and had to be sworn and testified under oath that Col. Drew was challenged by counsel to take the box and declined, and my friends both said that was not true.

Mr. HOMUTH: Oh no, I beg your pardon; all we asked Mr. Slaght to do was produce the evidence.

Mr. SLAGHT: That is the usual crawl you make.

Mr. HOMUTH: We are not crawling in any particular on this investigation. All we asked you to do was to produce the evidence the same as Mr. Golding has asked us to do so often.

Mr. SLAGHT: So that my friends who are members of the committee when they come to pass on the matter finally may have the facts let me read you an extract of the 29th meeting of the Davis commission hearing at page 3676:—

Mr. FORSYTH: Well, I wish to say this, that if my learned friend Mr. Drew is going to make a statement about facts, the facts that this witness has detailed here, I think that that statement should be made in the box.

Mr. Forsyth, it will be recalled, was one of the government counsel.

Mr. McRUER: Yes.

Mr. McRuér appeared for the company. Then:—

Mr. DREW: I am an officer of the court.

Mr. McRUER: No, you are not an officer of this court.

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Mr. Drew did not press that excuse any further.

Mr. GREEN: He actually was.

Mr. HOMUTH: Are those your words? Or was that in the evidence?

Mr. SLAGHT: Is what in the evidence?

Mr. HOMUTH: You better turn to the record and follow it. Read the record as it is.

Mr. SLAGHT: Then Mr. McRuer says, addressing the commissioner:—

Mr. McRuer: Mr. Commissioner, if Colonel Drew is going to make any statement about facts, any information which came to him, the witness box over there is the place for him to do it, so that he may be cross-examined upon it. And if he is a gentleman he will submit himself to that.

That is pretty strong, but Mr. Drew only said:—

I ask my learned friend to withdraw that statement.

Mr. McRuer: Well, I will say he ought to submit himself to cross-examination. If he has any facts which will tend to clear up anything, or assist us in this matter, he ought to do that.

Mr. BROOKS: Why didn't you cross-examine him. He was here for three days.

Mr. SLAGHT: I am not complaining. I thought he had been pretty thoroughly cross-examined here. I do not think that my friend Mr. Homuth, who knows that Mr. McGeer cross-examined him, my friend would have been one of the first to protest if after the very careful cross-examination by Mr. McGeer I had attempted to cover the same ground. He would have been one of the first to shout.

Some Hon. MEMBERS: Order.

Mr. BROOKS: I might also say that Mr. McGeer has also given evidence and we have asked him why he did not go up and get on the witness stand here.

The CHAIRMAN: Order, order.

Mr. SLAGHT: If you think that is an excuse for your friend the Ontario Conservative leader declining to step in and be cross-examined under oath, and then he comes down in the dying hours of this enquiry whereas it had been published where he could have read it in the press a long time ago that here he would not be subject to examination under oath—I would just conclude with this—

Mr. GREEN: When you were counsel did you ever go into the box?

Mr. SLAGHT: To inform my friends of the fact—this is at page 3677:—

Mr. McRuer: You have this statement of fact. Let him make the whole statement, so that we can have the whole story, in the box. In the interest I represent, I would like to hear the whole story,—if there is any suggestion of anything improper.

Mr. DREW: I will not give evidence which should be given by witnesses.

And then the commissioner ruling on the objection that Col. Drew could not make a statement of fact without going into the witness box held this (on page 3678):—

The COMMISSIONER: I cannot take a statement of fact.

Now then, I hope my friends will be satisfied with that word, with that challenge to the accuracy of what was said.

Mr. HOMUTH: We may be satisfied, but—

Mr. SLAGHT: It would be difficult to content a member of this committee who obviously when requested by an hon. member to give a page to which he was referring fictitiously cited on two occasions, in order to raise a laugh, some pages which he knew were untrue.

Mr. HOMUTH: Have you proven that they were untrue?

Mr. SLAGHT: Then, this is just one more—and then, my friend Mr. Stewart had the witness on the stand give to him his recollection of what he heard Col. Drew say about the matter—that is, to General LaFlèche—and Mr. Stewart pursued that to the stage where Col. LaFlèche was interrupted, and I want to ask General LaFlèche if at the Davis inquiry he heard Col. Drew—

Mr. GREEN: I raise a point of order.

Mr. SLAGHT: Yes.

Mr. GREEN: Mr. Stewart was dealing with what was said here this afternoon.

Mr. SLAGHT: We are not going to be confined to that.

Mr. GREEN: That is how you dragged this in.

Mr. SLAGHT: The terms of the reference referred to us everything that occurred at the Davis inquiry, as you know.

The CHAIRMAN: Your point of order is that you are objecting to the hon. member reading from the exhibits; is that correct?

Mr. SLAGHT: From the record of the Davis enquiry which is specifically referred to this committee under the terms of reference.

Mr. GREEN: I asked Mr. Slaght to give us the evidence to which he referred, and when he got on his feet to do that he goes ahead and makes this long speech.

Mr. SLAGHT: Well, was not that a thing which should have been brought out here?

Mr. GREEN: I was asking General LaFlèche a question and I was in the middle of my examination when Mr. Slaght got up to quote the page that I had asked for and correct me. Now, he has taken advantage of that position and talked on an entirely different point. I suggest that he should be asked to take his seat until I have finished asking my questions, then if he wants to he can go ahead. I was interrupted.

The CHAIRMAN: I know you will heartily agree with me when I refuse to allow your point of order.

Mr. SLAGHT: Then I will be very grateful, Mr. Chairman.

General LaFlèche, you were being interrogated a few moments ago as to whether you heard Col. Drew say this and that and the other thing and you answered it to a stage; and I think my friends, not intending at all to be unfair, interrupted you; and I ask you in the light of the fact that all these gentlemen on the other side, after the Hon. Mr. Manion's high tribute to you in the House of Commons, including the man who wrote what I regard as a scurrilous article, they all come here now and say, oh, no, there is no charge at all against General LaFlèche.

Mr. HOMUTH: That is just where you are wrong.

Mr. SLAGHT: No charge of any description against General LaFlèche; let me inform my hon. friend if he was a lawyer—

Mr. HOMUTH: Thank God I am not.

Mr. SLAGHT: You may very well thank God you are not, because of the attitude you are taking; let me inform my friend, the non-lawyer member, that perjury is punishable with life imprisonment.

Mr. HOMUTH: Who charged perjury? We have that word thrown back and forth. There has been no reference to perjury in the Davis report or any time

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in this committee. Mr. Slaght gets up and makes that statement. Let Mr. Slaght and Mr. McGeer take full responsibility for using the word "perjury" in any record of this committee.

Mr. SLAGHT: Now, I will put upon the record what was said, Mr. Chairman, and the hon. gentleman who took his seat can thank God he was not a lawyer. I think even his fellow members on this committee who share his views will thank God also that he is not a lawyer.

Mr. HOMUTH: Quite. We are very happy; we have got a lot of practical common sense.

*By Mr. Slaght:*

Q. If this statement which he just made is typical I refer the committee, Mr. Chairman, to the 34th day of the evidence before the Davis commission at 4294A. Mr. Drew is here making his final submission to commissioner Davis and he submits certain things that he asks the commissioner to find General LaFlèche guilty of. Now, let me read this language and let my friends blush in shame for his advocate before that commission. It appears at the top of the page:—

Mr. Drew: I submit that from the beginning to the end LaFlèche's evidence. . .

He dropped the general there—

I submit that from the beginning to the end LaFlèche's evidence is not to be believed.

Did you hear that statement?—A. I did, sir, and it was that I had specific reference to when I was answering the Hon. Mr. Stewart a moment ago. I had not gathered, Mr. Chairman—I had not gathered the very terrible seriousness of what Col. Drew stated at that time.

Q. And the evidence my friend will recall—the general was under oath—and if he knows anything, any school boy can tell him that when a man who has testified as he did for nine days under oath is accused before a responsible tribunal with this statement that "from the beginning to the end LaFlèche's evidence is not to be believed," my friend should in shame apologize for that statement made by the gentleman who comes down here and refuses to submit to an oath in this inquiry, and uses that language.

Mr. HOMUTH: Why did not the member who is just speaking ask Col. Drew if he would do that? The assistant counsel has just now taken hold of this.

Mr. BROOKS: When you were face to face with him, why didn't you make that statement?

Mr. McGEER: I put that up to him a dozen times.

Mr. SLAGHT: Be it to the credit of Mr. Hunter when Mr. McGeer was questioning him and read him that statement and asked Mr. Hunter, the president, whether he took the responsibility for such a statement as that before this committee, that he was clear to dissociate himself with it, and to say that although Col. Drew was their counsel he was only getting paid expense money, and I revere Mr. Hunter for declining to adopt such scurrilous and miserable charges against the deputy minister of the Department of National Defence. And Mr. Manion said in the house—and I understand he was a fellow officer—he placed a eulogy upon him of integrity and honour as high as any man could wish for in this Dominion of Canada. Now, let my friends hang their heads.

Mr. HOMUTH: You have another three-quarters of an hour to finish your speech. Go on.

*By Mr. MacNeil:*

Q. Gen. LaFleche, reference was made in exhibit No. 138, during the evidence, which contains the communication addressed by you to the minister in London revealing certain information regarding the John Inglis Co.,—

Mr. HOMUTH: Mr. Chairman, I am sorry to interrupt, but just in order to keep the record clear, I made a certain reference to Mr. McLean's (Melfort) speech, and I have always tried to be very honest in any statements I make, and I would hate to think that I had quoted him wrongly, so I am referring to page 953—

Mr. McLEAN (Melfort): Was that page 65?

Mr. HOMUTH: No, page 953 of Hansard of February 13, 1939:—

As I understood the speech of the leader of the opposition of to-day, it was—I could not write it down as fast as he read it—that the contract was unfair because it had been given to Major Hahn and not given to somebody else; that it placed other industrialists at a disadvantage in not getting a share of the contract; furthermore that Major Hahn or his company might make a profit of a million dollars through the transaction in addition to the real profits, and it was unfair that this should be done. I can quite understand the indignation of someone waking up and finding that another has got ahead of him. There is an old proverb that it is the early bird that catches the worm.

Mr. HARRIS: Rotten.

Mr. McLEAN (Melfort): I suppose it serves the worm right for being up too early. But the hon. member for Danforth (Mr. Harris) will not say this is rotten; I think he will agree with me that any man who has shown himself to be the kind of man my conservative friends say Major Hahn is, with the courage, faith, initiative, energy and those other qualities that make a go-getting salesman. . . .

The CHAIRMAN: Is this a point of order?

Mr. HOMUTH: No, I want to prove a statement I made. They asked me to produce this.

. . . the type of man who has helped build up industry in Canada and who, long before the task comes along, prepares himself for a task that may have to be done, is the type of man who is entitled to a reward when the opportunity offers. I say further that if we had more of that enterprise in Canada to-day that we had forty, fifty and a hundred years ago we should be the better off for it. . . .

I wanted to prove it.

Mr. McLEAN: Mr. Chairman, on a point of order. In reply to my friend Mr. Homuth who quoted something that is not relevant to this inquiry and has not been referred to it, I will tell him that I stand by every word that was said at that time, more so to-day than then, because it is not what he said; it is what I said, and I said that because he was engaged in an enterprise with the honesty, courage and initiative that Major Hahn had shown in preparing to build something in Canada that was vitally needed to-day and to do it at a price that was satisfactory to the British War Office and to the Canadian ministry of defence, he was entitled to a legitimate profit. Mr. Homuth is speaking about something else. He said that I advocated people making money because they were smart and getting it out of stock transactions, and I said I had never in my life condoned that, and I was protesting at the time against calling on Gen. LaFleche, a military expert, for evidence in connection with stock jobbing transactions about which Mr. Homuth is better informed than Gen. LaFleche could be expected to be. And that is

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exactly what I said, and he has failed completely in spite of his cleverness in bringing in an entirely extraneous matter into the committee—he has failed in fastening on me the stigma that he had hoped by having me say that smart people were probably entitled to make money out of stock jobbing transactions. I never said it.

The CHAIRMAN: Gentlemen, if any more private fights between two members develop will they kindly go out into the hall and settle it?

Mr. HOMUTH: With Mr. Douglas?

*By Mr. McGeer:*

Q. General LaFlèche, before the evening adjournment I referred you to exhibit 52. The question then asked you was, were you aware of the liquidation proceedings and that the Inglis company was in liquidation before the contract was signed?—A. Oh, yes. Of course I was. I had full details of the matter. I had it in writing, too.

Q. There is exhibit 52.

*By Mr. MacNeil:*

Q. Colonel LaFlèche, you had full details—

*By Mr. McGeer:*

Q. I wanted to get that, Mr. McNeil, before you go because that is what I put to Colonel Drew.—A. Yes, I had this.

Q. Will you read the portion dealing with the liquidation proceedings?—A. The first letter is dated January 26, 1938, addressed to me from H. F. Skey, the manager of the Bank of Montreal, Toronto. To this was attached a Dun & Bradstreet report on the Inglis Company.

Q. You were asked, did you know about the liquidation proceedings? Was it disclosed to you?—A. It is in this report.

Q. What does it say in the report?—A. It says "The volume of business did not increase and in April, 1936, the Premier Trust Company, Toronto, were appointed interim receivers. Finally the bondholders took control of the fixed assets while the bank took possession of the stocks and accounts."

Q. From whom did you get that information?—A. The manager of the Bank of Montreal, Toronto, and it was sent out to all members of my interdepartmental committee.

Q. Was not that sent to you by the John Inglis company? The enclosing letter indicates that on the first page.—A. It was sent to me by the manager of the Bank of Montreal, Toronto, at the request of the John Inglis Co. Limited.

*By Mr. Green:*

Q. What date was that?—A. The letter of the manager of the Bank of Montreal, Toronto, is dated January 26, 1938.

Q. That information was obtained at the request of the interdepartmental committee, was it not?—A. It was, yes.

Q. Will you notice in the second paragraph of the letter from the bank this statement:—

Furthermore, in view of the apparent imminence of the conclusion of these negotiations, the company has postponed from month to month any large-scale operations, pending the decision which has been constantly expected.

showing that the company was holding up its commercial operations until it got the Bren gun contract?—A. That was a matter of which I had had knowledge and had knowledge at that time. They wanted to know whether they would have a contract to make Bren guns or not so that they could take that into consideration in making their plans for their commercial business.



Q. You knew at that time that the company was purposely holding back commencing its commercial division until they got the Bren gun contract?—A. Yes, but the Inglis company, with my department and myself and all of us in the department concerned, had been waiting for some decision and some final action "Yes" or "No" since December, 1936.

Q. During all that time they had been holding up their commercial branch?—A. That is what I understood and what the manager of the bank said. What they did in the meantime, I do not know. I think they went ahead to some extent.

*By Mr. MacNeil:*

Q. Did you accept that statement as being wholly accurate?—A. In what respect?

Q. "The net amount received on the issue of the above stock, \$1,250,000"?—A. Is that in the exhibit?

Q. That is in the same exhibit, the Dun & Bradstreet report.—A. The question was what, sir?

Q. Did you accept that statement as being wholly accurate, namely, "The net amount received on the issue of the above stock, \$1,250,000"?—A. I took that to mean that the assets were worth that much, and I have every reason to believe that they were worth that much and they are worth that much now.

*By Mr. McGeer:*

Q. Did you discuss with them in addition to that statement the financial means of this company, and was it disclosed to you?—A. Oh, I had talked the financial means over with Major Hahn myself as early as December, 1936.

*By Mr. Homuth:*

Q. What did he tell you?—A. He told me the Bank of Montreal were ready to finance him up to about \$1,000,000, I believe.

*By Mr. Brooks:*

Q. You took the 1929 appraisal, General?—A. As a general basis.

*By Mr. MacNeil:*

Q. Did you transmit the information in this form to the British war office at any time?—A. I did not send any financial report about Major Hahn to the war office.

Q. Not at any time?—A. No, I am sure I did not; quite sure.

Mr. McGEER: But the evidence is that Major Hahn referred the British war office to the bankers, the Bank of Montreal, and they got the information from the bank, and the evidence of Major Hahn also is that he knew that his bank had reported. So that there can be no question that all the information that was given to the Department of National Defence by the Bank of Montreal was similarly given to the British war office.

Mr. GREEN: That is not true.

Mr. McGEER: More than that, I have asked for the privilege of calling Major Hahn to say that he gave that Dun & Bradstreet report himself.

Mr. HOMUTH: You will have the privilege.

*By Mr. Brooks:*

Q. At the same time, General, you knew that the assets of the company had been purchased for \$250,000?—A. I knew, certainly, at that time. Of course, I did; the report was there.

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*By Mr. MacNeil:*

Q. In May, 1937, you asked for certain information from Major Hahn and received the same as contained in exhibit 137, first?—A. Yes.

Q. You have a memo to the honourable the minister?—A. Yes.

Q. And in this letter the statement is made:—

With reference to our conversation to-day I have pleasure in confirming your understanding that I represent the John Inglis company of Toronto having a controlling interest. This company was incorporated in 1860.

My company has been engaged since incorporation in the manufacture and production of steel and engineering equipment.

Then it goes on to say:—

It may interest you to know that the present plant and equipment of the John Inglis company represents an investment of \$1,800,000.

Did you accept that statement as being accurate?—A. Oh, yes, and I was quite satisfied with it from my general knowledge of what the organization, the John Inglis company, was.

Q. If that were passed on to another person, do you not agree with me that it would create the impression that it was a continuing company; that the John Inglis company was a continuing company being incorporated in 1860 and that it represented an actual investment of \$1,800,000?—A. I do not think so, and particularly in this case it was, I am sure, known to the contrary. I am sure that it was known that new interests were taking over the organization.

Q. You accepted that at that time having full knowledge of the details as you testified a moment ago?—A. Wait. This letter, shall we say, the letter of May 22 or May 6?

Q. May 6, first.—A. All right. I had that detailed Dun & Bradstreet report at the beginning of 1938.

Mr. McGEER: What is this exhibit?

Mr. MACNEIL: 137.

*By Mr. MacNeil:*

Q. But you testified that you had full knowledge from early conversation of all the details that the old John Inglis company had gone into the hands of the receiver?—A. You are going just a little too far when you say "full details." I was satisfied with the knowledge I had and the knowledge I had has been confirmed since, and I was quite as satisfied that the war office knew and were satisfied with Major Hahn and his undertaking.

Q. May I ask this, General LaFlèche— —A. At that time.

Q. When did you first discover that the old John Inglis company had been in the hands of the receiver and Major Hahn was reorganizing a totally new company?—A. As to when I first heard that the old John Inglis company was in the hands of the receiver, I am not certain, but I had equivalent knowledge the first time I met Major Hahn. I knew that he was taking over this closed down organization.

Q. You knew it was closed down?—A. Oh, yes. He wanted to open it up. That is one of the things that caught my fancy.

Q. Having that knowledge why did you accept this letter as being wholly accurate? Because this letter definitely suggests it is a continuing company with investments of over a million dollars.—A. In my opinion and in my experience when a new management, new organization takes over from an older organization, particularly when it has the good-will, it is considered the same thing, but with different ownership and different management. That happens every day.

Q. Did you not admit on the stand there was a slight difference in name even?—A. There is a slight difference in the name.

Q. That it is not exactly the same company?

Mr. McGEER: Well, that speaks for itself.

*By Mr. MacNeil:*

Q. Was this information in this form transmitted by you or your officers within your knowledge to the British War Office?—A. No. May I make the point very clear, sir. There seems to be a remaining doubt about that. When I called at the war office I learned there *viva voce*, I learned during the conversation that the officials of the war office were satisfied with Major Hahn and interested in his proposal, and had been as far back as the preceding December, and I have said that repeatedly.

Q. This, then, was not at any time the subject of discussion between you, Sir Harold Brown or Mr. Gordon, or any other officer of the British War Office?—A. I do not believe so; I am quite sure, no.

Q. Then I refer to exhibit 138; a statement again furnished by Major Hahn to you in London.—A. Now, that is the 22nd May?

Q. Yes.—A. 1937?

Q. I am not reading it because we are already familiar with it. This letter says the John Inglis Company was founded in 1860. It says, "an analysis of the company's operations showed during the period 1930-1936 (1) sales \$26,921,349.30; (2) net trading profit \$2,751,852.47." It then goes on to show the plan of operation and suggests that the plant was closed down for overhauling. Did you accept the information in that form as being strictly accurate?—A. I never questioned it at the time, nor do I now.

*By Mr. Green:*

Q. You sent that letter to the war office?—A. I did not.

Q. Copy of Major Hahn's letter?—A. No, I do not think so.

Mr. MacINNIS: No, given to the minister.

*By Mr. MacNeil:*

Q. For what purpose was it given to the minister?—A. For his information, and I really do not know what he did with it.

*By Mr. MacInnis:*

Q. Do you think the letter would give correct information as to the state of the John Inglis plant?—A. This letter showed that the plant was closed down, was not in operation. I believe that is the letter.

*By Mr. MacNeil:*

Q. Do you believe the reason given for the closing down is accurate?—A. I know that they were. I know that at that time they were either considering or they were looking into the machinery to see just what would be required to put it into running operation. They had either done that or were doing it. I recall so distinctly this discussion in London about the subject which I do not know why, appealed to my imagination perhaps, because we were from Canada and here ordinarily one sees wooden poles. He was there to negotiate—I trust I am not telling his secrets—to negotiate with the patent holders for the production in the John Inglis Co. Limited plant of steel poles.

Q. Well, you realize that sales of over \$26,000,000 have nothing to do with the John Inglis Co. to-day?—A. I never thought for a moment that it had. But it was the record of what had been produced by this organization.

Q. Do you not agree that it made an impression, or that an interpretation might be placed on the letter that it was a continuing company, a continuing

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corporation?—A. No. I will say that the clear—and I am satisfied that the intended meaning was to show that the plant was not in active operation at the time.

Mr. McGEER: That is shown in exhibit 139, in the cable to LaFlèche by the Bank of Montreal which is dated May 21, 1937.

Mr. MacNEIL: He has that before him.

Mr. McGEER: Yes, he had that before him and it is an exhibit that has been gone over several times. This is what it says:—

In regard to Major J. E. Hahn we have had business dealings with him extending over many years and he is held in high regard by us and generally Stop Is a man of substantial means good character integrity initiative and possesses good ability of an executive and organizing nature Stop Has recently been engaged in efforts for the resumption of activity of the John Inglis Company. . . ."

Mr. MacNEIL: Was that telegram sent—

Mr. GREEN: " . . . following death of John Inglis." It made it seem as if it was the old company.

*By Mr. MacNeil:*

Q. Was that telegram submitted to the war office?—A. Not to my knowledge.

Q. Are you familiar with exhibit No. 388 referred to yesterday?

Mr. McGEER: Everybody knew it was closed down, the war office and national defence.

Mr. MacINNIS: No, everybody did not.

Mr. HOMUTH: The minister did not.

Mr. McGEER: The minister was acting on information supplied to him by his deputy minister.

*By Mr. MacNeil:*

Q. It is dated the 6th December, 1936, and is a letter sent by George P. Vanier.—A. I recognize what it is.

Mr. McGEER: The minister knew through his deputy; he was acting on his representations.

*By Mr. MacNeil:*

Q. This is what the exhibit says, "recently acquired plant and equipment, the John Inglis Company—steel engineering, heavy plate engineering, shell equipment, business approximately net worth \$2,000,000," representing the John Inglis Company then as a going concern with a net worth of \$2,000,000. Was that information based on any information provided by your department to Canada House?—A. It was not. I happen to know how the war office made their investigations. I understand there is something of a confidential nature to it, but I think I can say that the investigation was carried out in Canada entirely independently of the Department of National Defence and at that time without our knowledge. It was carried out through official, but not Canadian, channels.

Q. Well, drop that for the moment. I refer to exhibit 134—we were interrupted in our questions on this the other day—which is a statement of policy made by Dr. Skelton on behalf of the Prime Minister, is it not, and the statement of policy is:—

I was informed by the Prime Minister after council yesterday that the question had been considered, and it was not thought advisable at present to request the government of the United Kingdom to place in Canada munition orders of this type.

A. Precisely; that is it.

Q. When you were giving evidence—

MR. HOMUTH: Would you read that a little louder, Mr. MacNeil. We cannot hear down here.

*By Mr. MacNeil:*

Q. The letter is signed by Dr. Skelton. It is a letter dated April 23, 1937, part of which reads:—

I was informed by the Prime Minister after council yesterday that the question had been considered, and it was not thought advisable at present to request the government of the United Kingdom to place in Canada munition orders of this type.

You were not clear in your evidence as to when you received this letter.—A. I am not clear yet. That is dated the 23rd of April, 1937. I left for England at seven o'clock the next morning. I worked until six o'clock the next morning; and I do not know when I got it. But whatever is in there, whatever is said in there, would not have been, could not have been effective in so far as anything I might do, because I happened to be in London when the Prime Minister was there, when my own minister was there and other cabinet ministers were there at the same time.

Q. You eventually received this letter?—A. In other words, I was travelling with higher authority.

Q. But you eventually received this letter?—A. I did. But I am not sure when I got it. Whenever I did get it, it did not mean anything to me, because the higher authority had been in London whilst I was there; my usual routine is through my minister.

Q. Do I understand that the policy in this regard was changed?—A. It was stated. It was, a few days later; some time in the next month, May, 1937. This is April, 1937. In May, 1937, in London, with those gentlemen of the cabinet whom I mentioned a moment ago, they then expressed the Canadian policy in regard to such matters, and in it—I am sorry I have not got the words, but I think it was “The Canadian government would welcome supplementary orders placed with Canadian industry by the government of the United Kingdom.”

*By Mr. Green:*

Q. When was that, General?—A. That was in May, 1937.

Q. That is when you were all in England?—A. Yes.

Q. That was decided in England?—A. I beg your pardon?

Q. That was decided when you were all in England?—A. I do not know when it was decided; but I heard that statement myself enunciated by my own minister on behalf of the Canadian government.

*By Mr. MacNeil:*

Q. Then you were authorized by your minister to request the government of the United Kingdom to place in Canada munitions orders of this type?—A. I said, with Canadian industry, and I am speaking from memory; but at the same time another aspect of the official policy was enunciated and it was as my own minister said a few days before to you gentlemen, that the Canadian government or the Department of National Defence would not act purchasing agents for the defence department of Great Britain nor would there be any armaments or munitions—I am speaking from memory; I am not certain—made in Canadian government arsenals for the Imperial—for the British government.

[Major-General L. R. LaFlèche.]

Q. I feel that you should go to some pains to clear up the situation, when there was one policy in the Department of External Affairs and—A. There is no contradiction. There are three points. We would not act as their purchasing agents. We would not manufacture in our government-owned arsenals for them; but the Canadian government welcomed supplementary orders placed with Canadian industry, or in Canada, I am not sure which, by the government of the United Kingdom. That is the three points.

*By Mr. McGeer:*

Q. You mean complementary orders?—A. Yes if you like, that is right—complementary orders.

*By Mr. MacNeil:*

Q. You felt you were authorized to ask the British government to place orders with the John Inglis Company in Toronto for Bren guns?—A. In the month of May, 1937, in London, I learned across the table from the war officials concerned that as far back as the preceding month of December they had been interested in Major Hahn, interested in placing an order for Bren light machine guns in Canada. Of course, their reason was strategical, because they knew they would cost more to make them in this country than in England.

*By Mr. Green:*

Q. You gave us those reasons the other day; you gave two reasons that the British decided to buy guns here?—A. Yes, strategical, meaning or including—perhaps I mentioned them separately—a second source of supply located in a place remote from possible enemy action.

Q. Then you gave us another; the second reason was to relieve Great Britain of the need of supplying Canada's guns.—A. Quite right; when their own production was overtaxed. It is all right now, I think, to say that since then the demands on their own England factory have been increased for the obvious reason of providing armaments for the increased land forces.

*By Mr. McGeer:*

Q. Colonel Dewar, in one of the reports we dealt with the other day, said that if his interpretation of the situation was correct Major Hahn's negotiation had resulted in that order to Canada. What have you got to say as to that?—A. I have to say that Major Hahn was the first Canadian, to my knowledge, to interest the war office in Canada as a possible source of supply for Bren light machine guns. Undoubtedly that is the case.

*By Mr. Brooks:*

Q. Would you say that the order would not have come to Canada except for Major Hahn?—A. Well, I admire that gentleman, but not to the point of saying that he did something that I could not have done without him. But seriously, he did it; and the first definite information I had in England was, "But he did tell you rightly; he did tell you correctly. What he told you last December is the case." But that was in May, 1937; and I had been waiting and I had been pressing and I had been putting the pressure on, to get a confirmation or denial of that story; I got the answer face to face.

*By Mr. Brooks:*

Q. England was very keen to have guns manufactured in Canada, to see Canada get started?—A. May I say this: as to the officers responsible for seeing that there would be a safe source of supply of armaments and munitions located where a possible enemy could not get at them easily, there was no



doubt that they wanted it; but as in our own system of government, the officers of one department have not the final say-so in the matter. There are other departments that have the say-so; and I know that that is why we had to wait, or we did wait until November of 1937, before being told definitely that they were ready to go ahead; when the answer came, it was to be with the John Inglis Company.

*By Mr. McGeer:*

Q. You told us a moment ago that you had some respect for that gentleman, meaning Major Hahn?—A. I did, but not to the point—

Q. Just a second and I will repeat what you said. You said—but not to the point of saying that he could do something that you could not do yourself. I infer from that that you could have got that Bren gun contract from the British government without the assistance of Major Hahn. Then what the committee is anxious to know is why did you not do it?—A. Then I am very sorry that I attempted a joke, which one should not do, before an august body like this; and I mean that respectfully.

Q. I should like to have that question answered.

Mr. HOMUTH: We are not as serious as all that.

Mr. McGEER: We are serious enough that I want that question answered.

The WITNESS: I thought Major Hahn had done a great service to my department and to Canada after he decided, on his own initiative, to go to England in October, 1936. Whether it would have ever come—whether without him, this would have happened, I do not know.

*By Mr. McGeer:*

Q. But there were two reasons why you could not do it. You did not have—A. The money.

Q.—the money to set up an arsenal; and if you had set up an arsenal, you were debarred from taking a British contract under the policy that had been enunciated right when you were in London. Is that not correct?—A. That is absolutely clear on the record.

Mr. HOMUTH: The department reversed its policy on two occasions.

The WITNESS: I think, if the committee is in doubt, I had better try to tell you again very definitely and very seriously. Let me just try that again; and the question as I remember it, had Major Hahn not gone to England in October of 1936 would my department have secured from the government of the United Kingdom an order for Bren guns? I think it is very doubtful indeed that we would have done so, very doubtful indeed.

*By Mr. MacNeil:*

Q. Could Major Hahn have done this alone without the assistance given by your department?—A. His one difficulty which was overcome by Canadian government action, his one difficulty would have been to get an insight into the actual problem of producing the guns.

Mr. MacNEIL: Mr. Chairman, perhaps I could save time, I do not wish to detain the committee at a moment like this; I would like to refer General LaFlèche to exhibit Nos. 107, 111, 116, 118 and 124; the trends of which I believe to be that you requested the British War Office to place this order with the John Inglis company—beginning December of 1936.

Mr. McGEER: Mr. Chairman, I would like just to make a statement. This morning when I referred to what I thought was the need for the committee moving to a consideration of the situation that had developed in the light of the attack that was made by Col. Drew it seemed to me there were certain courses

[Major-General L. R. LaFlèche.]

open. I think my remarks are correctly recorded in the press, and as I read them they might be interpreted to mean that in the event of the committee not being able to complete its deliberations to the point of making an interim finding and dealing with the Drew charges, that I would be of the opinion that the Deputy Minister of National Defence should be suspended. I mentioned that situation as one that no doubt would be properly in the minds of those who believed the Drew charges and who believed that the Deputy Minister of National Defence might be guilty.

Mr. HOMUTH: You can't interpret our views.

Mr. McGEER: I am not interpreting them in any way, and I want to make it quite clear that while I think it is the duty of this committee, and I am speaking purely as a member of the committee and for myself, to deal with matters before the house prorogues, and prorogation I believe is set for to-morrow. I also want to make it clear that I am satisfied in the light of the testimony given this afternoon that there would be no justification for the suspension of the Deputy Minister of National Defence.

Some hon. MEMBERS: Hear, hear.

Mr. McGEER: Whether the committee finds or not, but I do think it is going to be a very regrettable situation if this committee cannot find the means of going together to make an interim report giving both the views of the majority of the committee and the minority of the committee to the people of Canada on what they think of the Drew charges. This inquiry was begun on September 8, 1938.

Mr. GREEN: Not this one.

Mr. HOMUTH: No, not this one.

Mr. HOMUTH: No, no.

Mr. McGEER: It comes out of the report, and it is the same contract that is being investigated. It has been under public consideration and specific inquiry since September last, and it is now June; and it is to my way of thinking a most regrettable thing if we are going to move out of the committee leaving this all important matter on the agenda of unfinished business. I hope hon. members of this committee will agree that in view of the fact of the charges that have been levelled against Major Hahn, and after all he is to-day carrying out the responsibility of a contractual relationship with the Canadian government and the British government and he has presented—at least he has offered through a member of the committee to present evidence that he still has the confidence of the British War Ministry, that he be given a chance to answer these charges before this committee adjourns. And I would say to the members of this committee that when we convene to-morrow, that on the sense of our own responsibility dealing with an armament contract, part of the defence system of this nation, we should be prepared to do something more than just leave the matter in the air with these charges for what they are worth still hanging over the nation's defence organization, and part at least of the program that is involved in Canada's rearmament at probably one of the most critical times in the history of modern civilization. I can only say to you, Mr. Chairman, and I am speaking to you, and I do hope that this committee will not think that type of indifference to its duties and responsibilities is part of the record of the arduous and difficult task we have had to handle throughout our sittings.

Mr. GREEN: Mr. Chairman, on that point, I realize that Mr. McGeer has said that he is speaking only for himself, and I think that in order that the record be kept straight I should point out that the rest of us have been sitting on this committee too for many many days and many many weeks and genuinely trying to get at the root of a very complex matter, and we have now reached this position, that we have only had about half the witnesses that

obviously should be called. For example, we haven't been able to complete the examination of General LaFlèche. Many many things should be taken up with him yet. We have not been able to get any evidence at all from the general staff, which in my opinion is the most important evidence that should have been brought before this committee; after all they are the experts who can tell us what should be done, General Ashton, General McNaughton, General Anderson, and we haven't had Colonel Carr. We have not been able to call Dr. Skelton of the Department of External Affairs to explain why it was that while the Department of National Defence were trying to arrange for the production of guns in Canada that the Department of External Affairs was taking the attitude for months that Canada would not allow any munitions orders to be placed in this country by Great Britain. That should be explained by Dr. Skelton, or possibly by the Prime Minister, who unfortunately is away. We have not had an opportunity to hear Dr. Clark who was a very important member of the interdepartmental committee. Mr. Hugh Plaxton, M.P., has said that he intended to come before this committee and explain his position, and there was no time to do it. Then, we have not heard Mr. Plaxton's brothers, the solicitors involved in the matter, or the firm of Cameron, Pointon and Merritt. And it is all very well for Mr. McGeer to talk about our duties to the country and our patriotism and all this kind of business, but it is simply ridiculous to suggest that we should now go in and make some kind of a rush finding because the house is to rise to-morrow. After all, the government have been in control of this committee from the start, overwhelmingly in control. Mr. McGeer has done about three-quarters of the talking that has been done and it is not our fault that we have not been able to finish—it is not the fault of the opposition members. We have not sat on all the days of the week on which we might have sat.

Mr. GOLDING: You were the one who objected to other sittings.

Mr. McGEER: No one has objected as much as you have to sittings.

Mr. GREEN: I have not objected any more than anybody else. Don't try to get away with that.

Mr. McGEER: You have objected time and time again.

The CHAIRMAN: Order, order.

Mr. GREEN: That is just an exhibition of the type of haggling that has been typical of our daily proceedings. Undoubtedly the fault must lie right at the door of the government. Mr. McGeer is not now going to try to throw that off onto us.

Mr. McGEER: I just want to make one correction in that. I did not suggest that we should make a rush finding. I do suggest that there are certain matters like the charge against the integrity of the Deputy Minister of National Defence that we should deal with in an interim report. There is no suggestion of any rush in making a finding, but a committee that is faced with that kind of charge that Colonel Drew levelled at the deputy minister of National Defence ought to be able to say whether it believes General LaFlèche told this committee the truth or not. The Hon. H. H. Davis did not have any difficulty in finding the facts on that.

Hon. Mr. STEWART: That was not referred to this committee at all.

Mr. McGEER: Colonel Drew has put it up to this committee.

Hon. Mr. STEWART: Read your reference; it is not a reference to this committee at all.

Mr. McGEER: Colonel Drew put it up plainly to this committee, that the conduct of individuals was the matter—and when I put it up to him squarely: "Do you suggest that General LaFlèche should be dismissed—"

[Major-General L. R. LaFlèche.]



Mr. MACNEIL: Mr. Chairman, it is only because of a statement made by General LaFlèche that the statement of charges was introduced. Because of those statements Mr. Hunter and Colonel Drew asked to appear before this committee and explain everything to us. They did so. As I understand this, to-day General LaFlèche has been given every opportunity to explain his position with regard to those charges. Now, that is the way the matter occurred. May I point out that Colonel Drew went on the stand, and he did not prefer those charges before this committee until interrogated by Mr. McGeer.

Mr. McGEER: It did not make any difference.

Mr. MACNEIL: Mr. McGeer insisted that he repeat the charges from his statements which were made before the Davis inquiry. I do not think as a committee we have any such grave responsibility in the matter as suggested by Mr. McGeer.

The CHAIRMAN: Gentlemen, may I have one word with you before we adjourn? I have listened very attentively, and I want to make reference to one or two remarks by hon. members at the end of the table in connection with the government control of this committee. I have been quite aware that numerically the government have the major responsibility, but I submit to my friends that I have tried to prevent the thing he said—that the government members would control this committee, and I do not think, speaking for the committee as a whole, that any blame can be placed on any group or any person in this committee for the present position.

Mr. GREEN: I meant responsibility for the committee rested with the government, which it does; I would add, Mr. Chairman, that I think you have been an exceptionally fair chairman.

Hon. MEMBERS: Hear, hear.

The CHAIRMAN: Thank you, very much. We have heard the presentations of the different members and we will now stand adjourned until 11.15 a.m. tomorrow.

Mr. McGEER: Can we agree to call Major Hahn?

The Committee adjourned, to meet Saturday, June 3, at 11.15 a.m.









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SESSION 1939  
HOUSE OF COMMONS

29

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(STANDING COMMITTEE  
ON  
PUBLIC ACCOUNTS)

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MINUTES OF PROCEEDINGS AND EVIDENCE  
RESPECTING  
THE BREN MACHINE GUN  
AND OTHER ARMAMENT CONTRACTS

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No. 29

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SATURDAY, JUNE 3, 1939

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WITNESSES:

Major General L. R. LaFlèche, Deputy Minister, Department of National Defence

Major J. E. Hahn, President, John Inglis Co. Limited

OTTAWA  
J. O. PATENAUDE, I.S.O.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1939





## MINUTES OF PROCEEDINGS

SATURDAY, June 3, 1939.

The Standing Committee on Public Accounts met at 11.15 o'clock a.m., the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Bercovitch, Brooks, Douglas (*Weyburn*), Fraser, Glen, Golding, Green, Homuth, Isnor, MacInnis, MacNeil, McDonald (*Pontiac*), McGeer, McLean (*Melfort*), McPhee, Marshall, Patterson, Purdy, Rickard, Stewart, Stirling, Thauvette.

*In attendance:* Major-General L. R. LaFlèche, Deputy Minister, Department of National Defence; Major J. E. Hahn, President, John Inglis Co. Limited.

Examination of General LaFlèche was continued.

At 1 o'clock p.m., on motion of Mr. McGeer, the Committee adjourned until 2 o'clock p.m. this day.

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### AFTERNOON SITTING

At 2 o'clock p.m. the Committee resumed, the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Bercovitch, Bothwell, Brooks, Douglas (*Weyburn*), Dupuis, Fraser, Glen, Golding, Goulet, Green, Homuth, Isnor, MacInnis, MacNeil, McCann, McDonald (*Pontiac*), McGeer, McLean (*Melfort*), McPhee, Marshall, Patterson, Purdy, Rickard, Stewart, Stirling, Thauvette.

*In attendance:* Major-General LaFlèche and Major Hahn.

Major Hahn was recalled and further examined.

*Exhibit No. 17:* Major Hahn filed letter dated November 7, 1938, from the War Office addressed to Messrs. John Inglis Co. Ltd.

General LaFlèche was recalled and further examined.

At the suggestion of Mr. McGeer:

*Ordered,* That the agreement between the Government and John Inglis Co. Limited of Toronto, dated March 31, 1938, for the manufacture of Bren machine guns, be printed as an appendix to this day's Minutes of Evidence.

Mr. Bercovitch moved:

That this Committee do now adjourn for the purpose of considering an interim report.

Discussion followed.

At 6 o'clock p.m. the Committee adjourned until 8.30 o'clock p.m. this day.

## EVENING SITTING

At 8.30 o'clock p.m. the Committee resumed, the Chairman, Mr. W. A. Fraser, presiding.

*Members present:* Messrs. Ahearn, Bercovitch, Brooks, Douglas (*Weyburn*), Fraser, Glen, Golding, Green, MacInnis, MacNeil, McCann, McDonald (*Pontiac*), McGeer, McPhee, Marshall, Stewart, Stirling.

*In attendance:* Major-General LaFlèche and Major Hahn.

Debate on Mr. Bercovitch's motion was continued.

At 10.30 o'clock p.m., Parliament having been prorogued, the Committee rose.

A. L. BURGESS,  
*Clerk of the Committee.*

## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368, June 3, 1939.

The Standing Committee on Public Accounts met at 11.15 a.m. The Chairman, Mr. W. A. Fraser, presided.

The CHAIRMAN: If you will come to order, gentlemen, we shall proceed with the witness.

Major-General L. R. LaFLÈCHE, Deputy Minister, Department of National Defence, recalled.

*By Mr. MacNeil:*

Q. General LaFlèche, I was referring to exhibit 107 last evening. You are familiar with that exhibit?—A. I have it here.

Q. It is a letter signed by yourself suggesting that a cable be sent in code to the British government for the attention of Sir Thomas Inskip, in the following terms:—

. . . . matters have progressed to the point where substantial orders from war office together with our own requirements would make possible of the immediate creation of facilities for production in this country Stop Canada now prepared to place initial order for two thousand can war office guarantee a minimum order of five thousand.

A. Can place initial order.

Q. What was the meaning of that statement, "Canada now prepared to place initial order for two thousand . . ."—A. For five thousand.

Q. My copy reads "Canada now prepared to place initial order for two thousand can war office guarantee a minimum order of five thousand."—A. I think you are looking at the draft. The next page there will show the letter as it went forward.

Q. After discussion with my minister, I have the honour to request that a cable in the following terms be sent in code to the government of United Kingdom, for the attention of Sir Thomas Inskip:—

. . . . matters have progressed to the point where substantial orders from war office together with our own requirements would make possible immediate creation of facilities for production in this country Stop Canada is prepared to proceed if war office can place initial order for not less than five thousand guns.

May I ask the meaning of that sentence, "Canada is prepared to proceed if war office can place initial order for not less than five thousand guns"?—A. That telegram was sent following the receipt in the department of a report prepared by Major Hahn and following its study and following conversations with him; in the report and in conversation it was told us that the war office were interested in Canada as a second source of supply. If the war office were to place an order in Canada there would be our source of supply, by reason of the fact that the requirements of the two governments could make it possible in the opinion of my technical officers to have the guns produced at reasonable cost, otherwise it would not be possible to have production at reasonable cost in Canada.

Q. What was the source of supply here, the John Inglis Company?—A. If the war office placed an order with the John Inglis Company. May I remind you this is a report we had. That was a follow-up of a report we had from Major Hahn, and that was my attempt to confirm what they had in mind.



Q. This letter also contains the following:—

Reference recent visit of Major Hahn to study production of Bren gun in Canada and his conversations regarding same with Sir Thomas Inskip and Sir Harold Brown matters have progressed to the point where substantial orders from war office together with our own requirements would make possible the immediate creation of facilities for production in this country Stop.

Then you say:—

After discussing the matter with my minister, I have the honour to request that a cable in the following terms be sent in code to the government of the United Kingdom for the attention of Sir Thomas Inskip.

Is it not a fair deduction to make, General LaFlèche, that you were asking the government of the United Kingdom to place an order with Major Hahn?

—A. No. If you read it again, the paragraph you have just mentioned, you will find this:—

Major Hahn, since his return to Canada, has given further study to the problem, and matters have progressed to the point where it is necessary to obtain officially from the war office their reaction to the proposal that they should obtain some of their requirements from this country.

That proposal had been made to them by Major Hahn.

Q. Did you have any other alternative in mind than manufacture in the John Inglis Company?—A. The only alternative that seemed possible at that time was to buy the guns from outside the country.

Q. But you are here discussing in December, 1936, the manufacture in Canada. I am asking you if you had any other alternative in mind for manufacture in Canada, other than the manufacture in the John Inglis Company?

—A. I am sorry; I do not get the question.

Q. In December, 1936—A. Yes.

Q. Having reference to this particular letter—A. Yes.

Q. —had you any other alternative in mind for the manufacture in Canada than with the John Inglis Company, Toronto?—A. Any other alternative for the manufacture in Canada than the John Inglis Company? No. I have stated that at that time the probable source of supply was Great Britain. Major Hahn came back and he reported on the interest he had created in Great Britain. My technical officers and I agreed that we could not manufacture our own requirements only in Canada at a reasonable cost. Here was a report to the effect that another government would buy in Canada, increase the number of units to be produced, which spelt a saving of a very great deal of money.

Q. Is it not a fair deduction to make that you were, in this correspondence, pressing Major Hahn in a favourable light to the British War Office?—A. No. Speaking for myself, if I had wanted to make certain beyond peradventure that nobody but Major Hahn would be considered, I certainly would have, it seems to me, acted otherwise than I did. This letter is an attempt to get confirmation officially. The word is used in there "officially" from the war office.

Q. Confirmation of what?—A. Of the contents contained in that report made by Major Hahn. Confirmation of the statement he made to us after he had returned to Canada in December, 1936. This opened up a possibility of saving a very large amount of money by having the factory in Canada, the bringing of the war office into that for a second source of supply for the Bren

[Major General L. R. LaFlèche.]

gun. If successful, that would lead to other things. But I could not do anything until I knew what they wanted to do, and I did not get the confirmation until May, 1937.

Q. Which factory are you referring to?—A. That I did not get the official reaction from the war office that I asked for in this letter.

Q. It has been given in evidence, General, that the report made by Major Hahn to you in December, 1936, made reference to the proposals advanced by Major Hahn to the British government that the British government should assist them with capital outlay and should place an order with him for guns. You were aware of that when you wrote this letter, were you not?—A. I was aware certainly of the report put in by Major Hahn.

Q. Is not the intent of this letter to gain action by the British government with reference to these proposals which involved the placing of an order by the British government with the John Inglis Co.?—A. I first wanted to know whether the report made by Major Hahn was correct or not, and that is what I tried to find out.

Q. You gave support to the proposals advanced by Major Hahn to the British government?—A. No, I did not. I did, undoubtedly, convey the thought, were the war office prepared to proceed as Major Hahn had reported to us, then our problem was solved.

Q. And you would do business with Major Hahn and his associates?—A. I was prepared to do that, yes.

Q. Therefore you recommended that?—A. Of course, later, because there was a very great amount of money to be saved there.

Q. I refer to exhibit 111, which is dated January 8, 1937, a letter signed by myself and suggesting that a cablegram be sent in code to the Canadian High Commissioner in the following terms:—

We are considering production of Bren light machine gun in Canada on a specific offer in regard thereto by Major J. E. Hahn, D.S.O., M.C. Before a decision can be reached it is necessary to ascertain confidentially from war office price for a complete unit they are paying to Birmingham Small Arms Company or close approximation of same. This is required for comparison with offer of Major Hahn. Encouragement of Canadian enterprise by war office also essential. A cable was despatched on ..... to ..... stating if war office could place an initial order for not less than five thousand guns, this number together with Canadian requirements, would make possible the immediate creation of facilities for production. It is desired that you will endeavour to obtain an early and favourable reply to this question. If war office cannot co-operate it is extremely doubtful that manufacture in Canada will be possible.

Now, is it not a fair deduction to make from that cablegram, General LaFleche, that you were then committed to do business with Major Hahn and his associates?—A. No, that is not correct.

Q. Is it not fair?—A. May I point out that was to be addressed to the Canadian High Commissioner in London and was explaining the situation to him. If you will just note the difference between that proposed cable and the proposed cable included in the letter dated December 28, 1936, there is a considerable difference. In one we were addressing it for attention of the war office. We wanted to find their official reaction and it is so stated in that letter. In the meantime further discussion had taken place between Major Hahn and the officials of the master general of the ordnance branch. They prepared that letter. They needed information to permit them to give closer and better attention to the subject, and they were describing the situation as it appealed to them. But to say that we were then tied up with Major Hahn or anybody else is not right. But you get the whole key to the situation there.

Let me tell you this now. If the war office could not co-operate it was extremely doubtful that manufacture in Canada would be possible. That was stated on the strength of the report that the war office were much interested in placing an order for Bren light machine guns; without that additional number of units being manufactured, we could not have any factory here. When I say "I," we all wanted it.

Q. This must be taken, General LaFlèche, in considering all the evidence given by Major Hahn, that for certain purposes that have already been defined, he was made a representative of the Canadian government during the period in 1936.—A. Yes, with all the evidence adduced, that is correct.

Q. Is it not fair to interpret this letter as commending Major Hahn especially to the British government?—A. No. Here we have a story which we have attempted to confirm yes or no. Suppose that it is correct—and it is hardly believable a man could bring back a story that is not correct—suppose it is correct, which is a reasonable supposition, then the people who wrote this letter, the technical officers concerned, took for granted that the war office story was correct, and they make a very plain statement. They say, if you are interested in Canada it will help us with regard to our guns being made; but if you do not come to Canada we cannot have a Bren gun factory.

Q. You say there "encouragement of Canadian enterprise by war office also essential." Are you not very specific there?—A. Yes. I just said that, just now.

Q. You had no other alternative with respect to manufacture in Canada than the John Inglis Co.?—A. I had none, not under these circumstances. Please remember, Mr. MacNeil. Just put yourself into the situation that I was in then. We had a story. We had a report. We tried to get it confirmed. What can you do until you get confirmation or otherwise? On the other hand, it is a report that must be accepted, until proven otherwise, as being bona fide.

Q. Was it not true, General LaFlèche, that the British war office, having received this correspondence, would very naturally gain the understanding that you had picked Major Hahn and his associates for the manufacture in Canada of the Bren gun?—A. Are these not the letters that did not go forward?

Q. Well, in exhibit 118 and 119 you pressed for a reply.—A. Who would not?

Q. I believe the evidence indicates that eventually it was forwarded by the Department of External Affairs to the office of the high commissioner?—A. Well—

Q. Have you any reason to doubt that?—A. I do not recall it was done that way. This is the correspondence, is it not, that was not forwarded and which someone so mentioned yesterday

Q. Is it not true that eventually it was transmitted to the office of the high commissioner?—A. I do not—I am speaking from memory—believe the correspondence was transmitted to the high commissioner. But whether it was or whether it was not, it was a matter of no consequence whatever; because when I did go to London, I did not need the correspondence, because I learned at first hand that the story brought back by Major Hahn was correct and that they were interested and had been interested in him as a source of supply for the Bren gun in December, 1936.

Q. Then you acted on the story of Major Hahn without confirmation from other sources?—A. I acted on what? Meaning what?

Mr. McGEER: You cannot say that.

Mr. MacNEIL: He says he learned that the story presented by Major Hahn was correct.

Mr. McGEER: He did not act on it.

[Major General L. R. LaFlèche.]



The WITNESS: I was continuing to try to get replies. I think I am right in recalling that that correspondence did not go forward.

*By Mr. MacNeil:*

Q. Or the substance of this correspondence?—A. Or the substance.

Q. I refer to exhibit 124, which is a copy of a letter dated March 8, 1937. I believe this is not on the record here.—A. Exhibit 124?

Q. Yes. It is addressed to the Under Secretary of State for External Affairs, Ottawa, and signed by yourself. It is dated March 8, 1937, and reads as follows:—

SIR,—I have the honour to refer to previous correspondence on the subject of the production of the Bren gun in Canada, and especially to my letters above quoted, dated December 28th, 1936, January 8th, 1937, and subsequent thereto.

So far as this department is aware, no intimation of the progress of negotiations between the high commissioner in London and the war office has yet been received. The need for decisive action is becoming increasingly important.

This department is most anxious to embark upon production at the earliest possible date. Funds have been provided by parliament which would warrant this department now placing orders for 2,000 guns and there is justification for the assumption that this order will be duplicated in subsequent years until our total requirements of 7,000 guns are met. Even these circumstances, however, do not warrant proceeding with the enterprise unless support from the war office is forthcoming in the form of a guarantee for at least 5,000 weapons.

The fact that funds are now available is only one of the circumstances which emphasize the need for early decisive action. The price of raw material is appreciating, the cost of machine tools is steadily mounting, and dates of delivery for the latter are becoming more uncertain as each day passes. It is in consequence of the utmost importance that the project be initiated at some date in the immediate future if a substantial increase in the cost of production is to be avoided.

Major Hahn is ready and anxious to proceed to England again if by so doing he will facilitate an agreement. On the occasion of his last visit, he met Sir Thomas Inskip and Sir Harold Brown, both of whom it is understood encouraged him to undertake the task of erecting a Canadian factory.

I have, therefore, the honour to request that the substance of this letter be transmitted by cable to the high commissioner in London as early as possible, that the urgency of immediate decisive action be again stressed and that the high commissioner be requested specifically to cable at once if Major Hahn's presence will be of assistance.

Profit on production will be subject to regulation and supervision. Initial steps towards this end have already been taken—see minute of a meeting of the committee of the Privy Council, No. 439, approved on 5th March, 1937 (copy attached).

I have the honour to be,

Sir,

Your obedient servant,

(Sgd.) L. R. LAFLECHE.

The notations indicate that it was seen by the hon. the minister on March 9, 1937. Is it not true that that letter indicates that you were pressing the war office

to place an order with Major Hahn?—A. We were pressing to find out whether the war office were going to place it here; and we were outlining, very properly in the interests of the country, what would be the advantages to us if the war office were to take the action which had been reported by Major Hahn, and about which I had attempted and still was attempting to get confirmation.

Q. You mention Major Hahn and no one else?—A. Yes.

Q. You have no other alternative for manufacture in Canada?—A. No; not under those circumstances.

*By Mr. Green:*

Q. From your letter one would take it that it was your understanding that negotiations were being carried on at that time between the war office and the high commissioner's office.

Mr. MCPHEE: He has already said that.

The WITNESS: I did not know what was happening. I was trying to find out. Remember, from December, 1936, until May, 1937, I did not know what was being done. But we were feeling in the department that we wanted to know what was going to happen. We did include some money in the estimates for 2,000 guns. That meant a purchase, ordinarily and in all probability, from Great Britain.

*By Mr. Green:*

Q. The condition that was that External Affairs were holding out on you, was it not?—A. I mentioned that the other day. I did not know that they had

not forwarded the letters. I did not know what to think and no one else in my department knew what to think. We all wanted to know what was going to happen, and we were trying to find out. We were speaking naturally, in favour of Canadian production of the guns.

Q. The Canadian Department of National Defence were the people who were pressing and who were in a hurry. The war office apparently were not worrying at all.

Mr. GOLDING: Let Mr. MacNeil finish.

The WITNESS: I do not know. But I would tell you again—and please remember now, when I saw the war office officials in London at the beginning of May, 1937, I learned from them that they had desired, and so expressed their desire five or six months previously to Major Hahn, that they were—that the war office officials were interested in Canadian-made Bren guns and interested in Major Hahn.

*By Mr. Green:*

Q. But, General LaFlèche—A. Just a minute. I want you to remember that there, as in Canada, if a particular department wants to do something, it does not mean that they may proceed immediately with it. The concurrence, and in a number of cases the authority, or the approval, of a higher authority is necessary. There, as here, there is a treasury board or the English equivalent of what we know as a treasury board here; and without that approval, they cannot act. Now, what were some of the reasons which caused delay? Two, to my knowledge anyway. British industry as a whole desired to keep the business in their country. Labour unions wanted to do the same thing. War office officials—knowing the strategical situation—let us say, better than others—felt it necessary, or felt it correct, to hold the opinion that it would be a wise and a good thing to have a source of supply for this weapon in Canada.

Q. Much the same as they wanted to train their airmen in Canada?

Mr. McGEER: What has that got to do with it?

[Major General L. R. LaFlèche.]

Mr. GREEN: It has a lot to do with it.

Mr. GOLDING: Let General LaFlèche finish.

The WITNESS: Yes. May I say that the reasons are different. The reason why the war office wanted auxiliary sources of supply is fear, unfortunately, based on the too great vulnerability of factories located in the British Isles. While we are on that point—I might just as well bring it up now; it has got to be known very soon, and it is known already, I think. Some people seemed to think I had spoken out of turn when I mentioned the other day that the delay, or the situation which was created in Canada by the article in question, had caused harm to our rearmament, and to the rearmament of the British Empire, the Imperial government. I refer you to the fact that it has been since September, 1938, that the British air ministry have placed a very, very large order for aircraft in another dominion of the British Empire. That dominion is not Canada. I would say that is \$50,000,000 worth of work which Canada might have had.

*By Mr. Green:*

Q. It has placed very large orders here, too?—A. Well, I happen to know a great deal about that, because I have the thanks of the British air ministry for being responsible for making it possible to deal with Canadian firms. When I heard the writer of the article in question try to enlarge upon that subject, I had the thought that I knew the question much better than he did.

*By Mr. MacNeil:*

Q. General LaFlèche, this letter states: "Funds have been provided by parliament which would warrant this department to now placing orders for 2,000 guns." You say that indicated purchase?—A. Yes, undoubtedly.

Q. That meant that you had a sum of approximately \$1,000,000 available; and the estimate you had got from the war office was £100, as the tentative price.—A. We had in our estimates a given sum of money against which were shown, quite properly and as one must for the treasury board and for the house, a number of things. We had \$1,500,000 against which were shown a number of things, including 2,000 Bren guns. The price was not known; I repeat that the price was not known. It was simply there. We could buy any of these articles or some of them out of this \$1,500,000. We were not able to do anything with it about Bren guns.

Q. Would that not have been sufficient to have established manufacture under public auspices; would it not have been sufficient to have launched the enterprise under public auspices?—A. Not and to do the other things which we did with the \$1,500,000. We spent it for other most necessary requirements. The money, shall I say, did not last.

Q. But you had \$1,500,000?—A. Not to be spent solely or necessarily for Bren guns.

Q. You say here, "Funds have been provided by parliament which would warrant this department now placing orders for 2,000 guns."—A. Yes.

Q. Which would run over \$1,000,000?—A. We did not know. We do not know yet. It was done on an estimate, on the best knowledge we had.

Q. Was that estimate not sufficient to have launched a public enterprise in Canada for the manufacture of Bren guns, and to have started earlier than you actually started, without involving any greater sum than was initially required in private manufacture?—A. No, not at all. To manufacture only the Bren guns required by the Canadian government only, I told you, would cost more than \$1,000,000 more than it is going to cost because of the fact that the British government placed an order. At that time we had Major Hahn's report before us. I was trying to get that confirmed. I did not know the price of Bren guns in England. I did not know when they could deliver them



to us. I knew, however, if the report were confirmed, that we could purchase 7,000 Bren guns in Canada at a reasonable cost. I had Major Hahn's report to say that the war officials were interested in orders in Canada.

*By Mr. McGeer:*

Q. You did say that you had sufficient funds for 2,000 guns?—A. Well, did I? I did not say that.

Q. Oh, yes.

Mr. McPHEE: It does not say any such thing.

Mr. MACNEIL: Yes, it does say that. It says, "Funds have been provided by parliament which would warrant this department now placing orders for 2,000 guns."

Mr. McPHEE: Placing orders.

Mr. MACNEIL: Do you not place an order when you are buying guns?

The WITNESS: We do. But in this case, it is obvious to everybody we did not know the exact cost. We do not know it yet. When I say we had enough money to warrant placing orders, it is a perfectly correct statement. But I have also explained here that against this total amount of money we had listed a number of different things. We did not buy the guns. We did buy other military equipment; of very great value, too.

*By Mr. MacNeil:*

Q. But you had authority to buy guns from parliament?—A. No.

Q. The estimate gives you authority?—A. We do not call that authority. That is not the authority. That makes available a sum of money with which we could do one of half a dozen things. We could place an order for 2,000 guns, presumably—I just leave the possibility. I just leave you the thought. We did not know the price and do not know it yet. But we could also do four or five other things; and we did the other things, because we did not have the information; the road was not clear. We did not know what the price was, nor when we could get deliveries and we had not had an answer from the war office regarding the report made to us by Major Hahn.

Q. Now, remember this—A. It would be a somewhat different matter if we had not used our money for other good purposes. You cannot spend a dollar twice. We all know that.

Q. During that period you had knowledge of government policy. It has been given in evidence. It was contained in a letter to Mr. Hugh Plaxton and was referred to last evening, and in your letter of April 7 you explained that that policy had been changed by order of the cabinet in 1937. Do you infer that this exhibit I have referred to this morning, the correspondence between yourself and the High Commissioner's Office, was consistent with the declared policy of the government during that period?—A. May I say that I never saw the letter addressed to Mr. Plaxton.

Q. Never at any time?—A. Of the Prime Minister to Mr. Plaxton. I never saw it.

Q. Did you see it at any time during this period, or did your minister communicate to you what the policy of the government was in regard to securing orders of this type for Canadian manufacture?—A. I will say that I do not recall any specific statement; but in connection with the Bren gun, the minister as every one else in the department, was waiting for the official reaction of the British War Office as I had requested it on the 28th of December after Major Hahn's report had been very thoroughly gone into by the technical officers of my department.

Q. You quite agree that this exhibit 124 to which I have just referred was seen by the minister?—A. Oh, yes, sure.

[Major General L. R. LaFlèche.]

Q. What is the difference between asking the government of the United Kingdom to place an order with a private manufacturer and asking the government of the United Kingdom to place an order for the government arsenal?—  
A. We had written. We did not even know if they wanted to place an order in Canada. We were trying to get confirmation, yes or no, on the report made by Major Hahn.

Mr. McGEER: I know, but the minister gave evidence on that and said the difficulty was that the government had declared a policy of no manufacture of guns in a public arsenal for any other government. Now, whether that policy was right or wrong, that was the policy the Department of National Defence had to face, and what is the use of talking about the manufacture of British guns in a government arsenal by the government that has said we are not going to involve ourselves in that type of governmental co-relation or co-operation—whatever you wish to call it. I do not see why you should hammer this witness on something the government has taken responsibility for.

(At the request of Mr. Fraser, Mr. Homuth took the chair).

*By Mr. MacNeil:*

Q. I put it to you, General LaFlèche, that exhibit 124 indicates that you were in favour of some order from the British government for Major Hahn?—  
A. Will you go back to the letter of December 28 (exhibit 107) the third paragraph:—

Major Hahn, since his return to Canada, has given further study to the problem, and matters progressed to the point where it is necessary to obtain officially from the war office their reaction to the proposal that they should obtain some of their requirements from this country.

The ACTING CHAIRMAN: Order.

Mr. McGEER: On a point of order.

The ACTING CHAIRMAN: What is your point of order?

Mr. McGEER: My point of order is that this is the first time we have had a good looking chairman in the chair, and I don't think that it right.

The ACTING CHAIRMAN: The point of order is well taken.

The WITNESS: May the witness add his compliments, sir.

Mr. BERCOVITCH: Call Colonel Drew as a witness, Mr. Chairman, on that point.

*By Mr. MacNeil:*

Q. It is in evidence that the proposal referred to was the proposal by Major Hahn that the British government should share in the capital outlay and place an order with this company; it is in this correspondence, the indication of your endorsement of that proposal, and you desire to consummate a deal on that basis?—A. The whole thing is in the paragraph I read a moment ago. It was necessary to obtain officially from the war office their reaction to the proposal that they should obtain some of their requirements from this country; and I never got an answer to that until I was face to face with them in the war office in May of 1937; I did not get a yes or a no.

Mr. McGEER: The evidence is perfectly clear both in the records of the interdepartmental committee and from this witness that they said, we will not place an order with the Inglis company until the British War Office are doing the same thing, we won't sign a contract until the British War Office has scrutinized it.

*By Mr. MacNeil:*

Q. I will leave it there. I submit the evidence is quite clear, as I said this morning, Major Hahn was placed in a preferred position by the Canadian

government with reference to an order from the British War Office.—A. I can't argue with you, of course, but may I say a word on that; and it is an appeal that you ponder the paragraph that I have read. It is the only thing that any businessman could do. He gets a report. He finds out whether it is correct as in the mind of the party of the first part. I got it second hand, I had to try to get first hand confirmation, and I did get it, and when I got it it was exactly as I had been told by Major Hahn.

Q. Then, I refer you to exhibit 153, a letter by yourself to Sir Harold Brown, dated June 8th, 1937. It reads:—

Dear Sir HAROLD,—May I refer to the statement concerning the Bren Light Machine gun which was left with you this afternoon by Major H. E. Hahn, D.S.O., M.C., of Messrs. John Inglis Company Limited, Toronto, Canada.

As you already know, seven thousand Bren guns are needed to equip the Canadian forces, and that we want this equipment as quickly as it can be obtained. It would seem that all are agreed as to the necessity of setting up an additional factory. There are two obvious reasons for doing so:—

(a) the vulnerability of attack of the existing factory; and

(b) to speed up production. It is not considered that a single plant can turn out the guns quickly enough,—particularly in the event of an emergency. However much we in Canada may wish to obtain guns and however strongly we may feel the necessity of having a safely located additional plant, it is not considered practicable to set up a factory unless at least twelve thousand guns are to be produced therein. Should an assurance be given that at least five thousand guns would be ordered by, say, the government of the United Kingdom, the Department of National Defence would immediately recommend entering the final stage of our negotiations with Major Hahn.

I should appreciate knowing, at your early convenience, whether the war office is prepared to place an order. Definite information would greatly assist my department and much time could be saved if Major Hahn knew what to expect.

Yours sincerely,

(Sgd.) L. R. LaFLECHE.

The notation reads: "Shown to the Hon. the Minister before dispatch."

Is that not again confirmation of the fact that you were pressing the British War Office to secure an order from them for the John Inglis company?—A. That is telling Sir Harold Brown for his records that if he carried on as he had desired to do as far back as December of 1936 my department would recommend that we deal with the same person with whom he would place his order. And if you would just remember this, the second paragraph:—

As you already know, seven thousand Bren guns are needed to equip the Canadian forces, and that we want this equipment as quickly as it can be obtained. It would seem that all are agreed as to the necessity of setting up an additional factory. There are two obvious reasons for doing so: (a) the vulnerability of attack of the existing factory; and

(b) to speed production. It is not considered that a single plant can turn out the guns quickly enough—particularly in the event of an emergency.

By Mr. McGeer:

Q. The emergency has not ceased yet, has it?—A. We have had a good many emergencies since. We are in one now.

[Major General L. R. LaFlèche.]



*By Mr. MacNeil:*

Q. There is no doubt the British War Office understood that if they under your encouragement placed an order with Major Hahn that you also would do business with Major Hahn.—A. I just want to make my answer to that.

Mr. McPHEE: I do not think that is a fair question.

The WITNESS: Mr. MacNeil is always very fair.

Mr. MACNEIL: I just read it.

The WITNESS: May I answer that?

Mr. McGEER: I know, but what do you mean by pressure?

Mr. DOUGLAS: The witness wants to answer. Let him answer.

Mr. McGEER: You can always read a letter at least five days. If you are a good lawyer you can read it ten. There is only one way to read it.

The WITNESS: I had it from the gentleman to whom I addressed my letter on June 8, 1937, that the war office had desired to negotiate with Hahn as far back as December, or is it November, 1936. I had it from him. They wanted it explained to me, there were other departments concerned in the matter and no action could be taken until the other departments, other departments than the war office, were ready to give their approval to the war office scheme of having Bren guns made in a second plant located in Canada. But I had it there, six months before this time, that they wanted to do that. Already in my discussions with this gentleman, Sir Harold Brown—and he is a gentleman. It was immediately recognized that neither 5,000 for the British War Office nor 7,000 for the Canadian forces could be produced alone at a reasonable cost in this country or in any other plant. That number of units is not an economical production number. There is only one way they wanted to do this. It certainly pleased me highly. Certainly, they were going to do that. We were with them—could save a million dollars—and the saving is not an idle statement because it was there in Sir Harold Brown's mind, it was clear in my own, I had official estimates which are on the record, made by my departmental officials, technical men; and a million dollars is a very great deal of money; and to have a factory in this country—and in war times I am convinced that money does not mean what it does in other times—but to have a factory in our own country was very very good; and we could dispose of the products as we pleased for our defences—it was of great advantage from a strategical point of view, it was the realization of a dream. I do not want to labour this point, but I do want to make my mind as clear as I can to Mr. MacNeil as well as to the other gentlemen of this committee—but speaking of encouragement, of course, encourage the war office with respect to what they wanted to do in the previous November or December of 1936. Of course that would be advantageous—the preparation for Canadian defence and Empire defence, the saving of a very large sum of money—and don't forget it. The Bren gun was one thing I was discussing with Sir Harold Brown. If they would do that with the Bren gun we could solve other problems with regard to other weapons and other munitions.

*By Mr. MacNeil:*

Q. Was it not clear that the British government would have assisted in the capital outlay for a government arsenal for Bren gun manufacture?—A. It has never come up as that, but it could follow.

Q. They would place an order with a government arsenal for 5,000 of these guns?—A. It was never studied that way. I didn't do it.

Q. May I ask you, in view of the fact that the original contract was drafted as far back as February, 1937, why you did not refer that to the interdepartmental committee at an earlier date?

Mr. McGEER: That is entirely wrong. The draft contract was not the contract that was consummated, and it was referred to the British War Office to ascertain whether the war office would accept it or not. It was not accepted by the British War Office until November, 1937. All that was accepted was that they were willing to negotiate.

Mr. GREEN: Willing to deal, not negotiate.

Mr. McGEER: Willing to deal. That contract, was, however, just the basis for drafting out the two separate contracts, and those two separate contracts were not approved by the war office until February of 1938. What I think members should be fair on is this, the government declaration of policy that makes the manufacture of guns for the British War Office a thing that is not to be done. How can you criticize the deputy minister of a department of that government, or a minister of that government, for not trying to do something which was contrary to the policy of the government?

Mr. GREEN: He was not criticizing, he was asking if they could have got a contract from the British government to have the guns made in a government arsenal.

Mr. McGEER: Do you think it is fair to carry the circumstances which arose out of that policy through and say that you have shown preference to a man who comes back and says, "I believe I can solve your problem, I believe I have the confidence of the British war office if I can get 5,000 guns"? Was there anything wrong with those circumstances and with LaFlèche and the Department of National Defence accepting that situation and saying, "Yes, Hahn, if you can convince the British war office you can manufacture these guns and get a contract with them, we will go along with you"? That is not fraud.

Mr. MACNEIL: I am not suggesting fraud.

Mr. MACINNIS: Mr. McGeer has stressed that point on two occasions. The Prime Minister's letter to Mr. Plaxton is quite clear. It says:

It would be necessary, of course, to see that it was distinctly understood that such orders as were obtained, were at the instance of the firm itself and not either directly or indirectly, at the instance of the government of Canada.

Mr. McGEER: Quite true.

Mr. MACINNIS: Just sit down for a moment. It has been clearly proven by the letters and exhibits read by Mr. MacNeil that the deputy minister was continually pressing the war office to give a favourable reply in regard to Major Hahn.

Mr. McGEER: No, no.

Mr. MACINNIS: Oh, yes.

Mr. McGEER: No, no, you are adding considerably to that. What was said was this: If an individual company is going over to the British war office to get a contract with the British war office, then this government is not going to support that type of thing. But this is a very different thing from an individual contract. Here was a man who went over and said, "I can solve your problem by getting a British contract if we can get a Canadian complementary contract." Now, when you meet a situation of that kind, the pressure was not to give Hahn the contract any more than it was to get a situation developed in co-operation between the British and Canadian governments that would solve the problem of our getting 7,000 guns at a reasonable cost. That policy, as the deputy minister explained in his letter, was known to the minister and afterwards concurred in by the Prime Minister.

How can you say that the Prime Minister has been deceived by the conduct of the minister when he himself approved and endorsed it? There is no breach of policy there at all.

[Major General L. R. LaFlèche.]

Mr. MacINNIS: Then we must conclude that the commissioner was wrong when, in his report at page 48, he says this:—

It clearly results from the evidence that the department, having introduced and sponsored Hahn to the war office and the war office having in November, 1937 (after a full year of pressure by the department upon it) expressed its readiness to negotiate with the Inglis company for the production of 5,000 guns, and the negotiations having proceeded to the point where on February 9, 1938 (Exhibit 218) a draft contract with the John Inglis company had been agreed in detail by the war office, the matter had been brought into such a posture that the department felt it was really not in a position to propose to the war office the consideration of another contractor.

Now, is that not clear and does it not prove distinctly the statements made and the letters quoted by Mr. MacNeil?—A. May I ask you to read the third paragraph of my letter dated December 28, 1936? Read that in conjunction with Mr. Justice Davis' report.

Mr. McPHEE: Put it on the record now.

The WITNESS: I have clearly indicated that to you. It is perhaps more clearly expressed to you than it was to Commissioner Davis.

Mr. McPHEE: Have you it there?

Mr. MacNEIL: Yes. I will read it. It is dated December 28, 1936, addressed to the Under Secretary of State for External Affairs, Ottawa:—

SIR,—I have the honour to refer to previous correspondence pertaining to the Bren light machine gun and to state that this department has had under consideration for some time ways and means to establish in Canada a source of production of this weapon.

As you are aware, Major J. E. Hahn, D.S.O., M.C., with the knowledge of this department, visited England recently to study this problem. While there he met Sir Thomas Inskip and Sir Harold Brown, Director General of munitions production, War office, and was given the entree to government factories and was supplied with all information available and pertinent to the question. It was further intimated to Major Hahn at that time that the war office would consider encouraging the establishment of a Canadian factory by placing therewith substantial orders.

Major Hahn, since his return to Canada, has given further study to the problem, and matters have progressed to the point where it is necessary to obtain officially from the war office their reaction to the proposal that they should obtain some of their requirements from this country.

After discussing the matter with my minister, I have the honour to request that a cable in the following terms be sent in code to the government of the United Kingdom, for the attention of Sir Thomas Inskip:—

Reference recent visit of Major Hahn to study production of Bren gun in Canada and his conversations regarding same with Sir Thomas Inskip and Sir Harold Brown matters have progressed to the point where substantial orders from war office together with our own requirements would make possible the immediate creation of facilities for production in this country stop Canada is prepared to proceed if war office can place initial order for not less than five thousand Bren guns.

I have the honour to be,

Sir,

Your obedient servant,

The Under Secretary of State,  
for External Affairs,  
Ottawa, Ontario.

(Sgd.) L. R. LAFLÈCHE,  
*Deputy Minister.*



The proposal, General LaFlèche, I put to you, was the proposal of Major Hahn to the war office in which he requested an order for 5,000 guns?—A. And in which he told us had interested the war office, that is right.

Q. And this letter and subsequent correspondence, I suggest, may fairly be interpreted as being an endorsement of that particular proposal?—A. May I go over that again? You will remember that in my letter, the second paragraph, I say, "While there (in London) he met Sir Thomas Inskip and Sir Harold Brown," and so forth. In the last paragraph I said: "That a cable in the following terms be sent in code to the government of the United Kingdom, for the attention of Sir Thomas Inskip." I wanted information from the man mentioned to us by Major Hahn. What has he got to say about this report that we had? All right. If they are going to place an order here by which we can save a million dollars—

Q. Subsequently, General, you accepted responsibility for recommendation of the contract to the interdepartmental committee?—A. I beg your pardon?

Q. You accepted responsibility, subsequently, for recommending the contract to the interdepartmental committee?—A. Yes, certain aspects of it.

Q. You said there was no alternative then but to consummate the negotiations already entered into with Major Hahn.—A. I accepted responsibility for that particular thing, yes.

Q. In the face of this evidence do you still say that your statement was correct, that the British war office picked Major Hahn for this contract?—A. Yes. And they did it in strict accordance with their practice whereby in their rearmament program over fifty per cent of the amount involved is paid to contractors who have been picked by the war office. Picked can be expressed otherwise. And I am not trying to get out of that statement. I wouldn't. I couldn't, because it would be a loss to the people of \$1,000,000, or more. Picked; selected; satisfied with.

*By Mr. MacInnis:*

Q. On what date did the war office pick Major Hahn?—A. November or December, 1936, because they then told him they were interested in him.

Q. Very well. Then will you turn to exhibit 176?—A. Yes.

Q. A letter from yourself to Mr. Massey, the High Commissioner in London, dated October 21, 1937.—A. You will recall that Mr. Massey happened to be in Ottawa at that time.

Q. The letter is to Mr. Massey, in any case, and he was still High Commissioner for Canada?—A. Exactly, yes.

Q.

Dear Mr. MASSEY,—My minister has desired that I let you have this afternoon without fail, a very brief explanation of our difficulty in arranging for the supply of Bren machine guns. In this connection may I say:—

In March, 1936, a copy of the agreement which the British authorities made with the patentees of the Bren gun relative to production in the British Empire was received. From this it was apparent that the Bren guns could be obtained in Canada by any one of the following methods:—

- (a) By direct purchase from the war office.
- (b) By manufacture under licence from the Secretary of State for war in a Canadian government factory.
- (c) By manufacture in Canada under an agreement direct with the patentee to meet local requirements not covered by the British agreement.

It is estimated that 7,000 Bren guns are required for the Canadian forces.

[Major General L. R. LaFlèche.]

Steps were taken to compile information regarding the most desirable method which might be adopted to obtain Bren guns in Canada, taking time and cost into consideration.

Having followed this matter closely for more than one year, it is considered that no substantial number of Bren guns can be obtained through the war office for some years and it is felt that it would not be wise to look to this source for our supply except, of course, for a few for experimental and training purposes. It is to be understood, of course that the cost of manufacturing the gun in Canada would necessarily be greater than if made in England because of higher wage rates.

A private citizen of Canada, Major J. E. Hahn, D.S.O., M.C., has evinced great interest in the possibility of producing the Bren gun in Canada. With the knowledge of the department he has made more than one visit to England where he has been able to discuss the matter with high war office officials who let him understand that the government of the United Kingdom might be very pleased to see an auxiliary source of supply established in Canada. Indeed, he discovered possibilities of receiving an order for, say, 5,000 guns from the government of the United Kingdom. It is believed that Major Hahn could readily proceed with production in Canada.

The department is extremely anxious to know whether the government of the United Kingdom intends to place an order for Bren machine guns in Canada. As soon as definite information is received, the department will proceed to best advantage as the guns are very urgently required.

Now, evidently, although Major Hahn was picked in October, 1936, on October 21, 1937, you yourself had made it clear that there was no order placed; that the United Kingdom had not yet picked a contractor as far as Canada was concerned?—A. That what?

Q. That the United Kingdom had not picked any person in Canada as their special contractor in this country?—A. I made it very clear that the war office had expressed much interest in Major Hahn.

Q. Not in this one. You made it clear by stating:—

That a private citizen of Canada, Major J. E. Hahn, D.S.O., M.C., has evinced great interest in the possibility of producing Bren guns in Canada.

But you have not shown that the war office evinced any interest in Major Hahn?—A. Oh, don't I?

Q. No.—A. "With the knowledge of the department he has made more than one visit to England where he has been able to discuss the matter with high war office officials who let him understand that the government of the United Kingdom might be very pleased to see an auxiliary source of supply established in Canada." Now, he discovered possibilities of receiving an order for 5,000 guns from the government of the United Kingdom.

Mr. DOUGLAS: You would hardly say—

Mr. ISNOR: Let Mr. MacInnis finish.

Mr. DOUGLAS: You would hardly say the fact that he discovered possibilities—

Mr. McLEAN: I think Mr. MacInnis should be allowed to finish his examination.

Mr. McGEER: Mr. MacInnis gave way.

Mr. McLEAN: Mr. MacInnis got as far as suggesting that General LaFlèche was interested in Major Hahn, and the minute that General LaFlèche read the balance of the letter, Mr. MacInnis simply sits down quietly and Mr. Douglas takes his place.

Mr. MACINNIS: I did not. I sat down quietly after I heard that letter, but I sat down quietly because Mr. Douglas got on his feet.

Mr. McGEER: I think that is a very important point.

Mr. DOUGLAS: I want to deal with that point before Mr. MacInnis goes on. If he does not want to give way to me, that is all right.

*By Mr. Douglas:*

Q. Is there not a difference in the war office being interested in the possibilities of maybe giving a contract and saying that they had asked him in July, 1936, about the possibility of getting a contract? Surely they are two different things?—A. May I, with your permission, say that I observe that Mr. Douglas is an observant person. He has exactly touched upon the point that I tried to answer a moment ago. Just let me read that:—

With the knowledge of the department he has made more than one visit to England where he has been able to discuss the matter with high war office officials who let him understand that the government of the United Kingdom might be very pleased to see an auxiliary source of supply established in Canada . . .

The government of the United Kingdom includes the war office and these other departments. They were holding back, not the war office, but the other departments. The war office wanted to proceed.

Q. The government was what—A.

. . . who let him understand that the government of the United Kingdom might be very pleased to see an auxiliary source of supply established in Canada.

I did not say the war office; they wanted it. But the United Kingdom had not decided yet. This is what it says:—

The government of the United Kingdom might be very pleased to see an auxiliary source of supply established in Canada. Indeed, he discovered possibilities of receiving an order for, say 5,000 guns from the government of the United Kingdom.

That means from the war office, because the deciding is not done by the war office alone, but by the departments which I termed the "government." You are properly seized with that difference between one department and the government.

Q. I did point out, General—A. If I did mention war office as such, I meant the war office as far back as November or December, 1936, wanted to place an order if they could. That is what I have said; but I spoke of the government because of the other departments.

Mr. McGEER: The treasury department is one?

The WITNESS: And the Board of Trade.

*By Mr. MacInnis:*

Q. General LaFlèche, you have just stated now that the war office was intensely desirous of placing orders in Canada. You stated that on a number of occasions yesterday and this morning.—A. Yes.

Q. But what you have put in this letter of October 21, 1937, is not that the war office is desirous of placing an order in Canada but that the government of the United Kingdom might.

Mr. McPHEE: He just explained it.

Mr. MACINNIS: He did not explain it to my satisfaction.

Mr. BERCOVITCH: That may be not his fault, but yours.

[Major General L. R. LaFlèche.]



Mr. MACINNIS: No; I believe it is his fault. You said the war office might be very pleased. You do not say the war office is extremely anxious to; you say the war office might, and that means that the war office might not.

The WITNESS: I beg your pardon.

Mr. MCPHEE: He did not say that.

Mr. MACINNIS: He said the government, which Mr. McGeer says means the same thing.

Mr. McGEER: No.

Mr. MACINNIS: He did not say that.

Mr. McGEER: I understand that the evidence that has been placed clearly before us is this: Hahn negotiated with the war office, and he came back and said that the war office was interested and intensely desirous to get a secondary source of supply, and Hahn thought that they might get them to give a contract for 5,000 guns. Then, when LaFlèche got to England Sir Harold Brown told him the same thing and pointed out that before the war office could give a contract to Canada, for production in Canada, or embark on a policy of production in Canada, they must get the consent of the treasury department and the board of trade before the government of Great Britain would enter into any such contract. Now, that letter of October 21 must be read in the light of the evidence we have as to what has taken place in the May and June conferences with LaFlèche in the war office and in the statements that Hahn made, and it confirms clearly and definitely the evidence that we have.

Now, Sir Harold Brown in his letter finally indicated what the government would do in November 9, 1937, when they finally got the consent of the government to act; there was no conflict there.

Mr. MACINNIS: We will just take you up on that letter of November 9, and again I think it is some satisfaction to be in agreement with the Commissioner. Commissioner Davis says:—

Much stress was laid during the evidence and on argument upon what was termed the "pressure" from either the war office upon Canada or from Canada upon the war office, subsequent to the war office cable to Canada of November 9, 1937 (Exhibit 182). That pressure from Canada upon the war office during the period was continuous is in my view the proper inference from the facts directly proved in evidence. A single document may be taken here. . . .

You are taking this document, Mr. McGeer.

Mr. McGEER: No; I took all the documents.

Mr. MACINNIS:

A single document may be taken here or there and, read by itself without the surrounding facts and circumstances, might leave a different conclusion, but the evidence and the surrounding facts must be taken as a whole if a fair and proper inference is to be drawn.

Now, we are taking the surrounding circumstances.

Mr. McGEER: I agree with that.

Mr. MACINNIS:

In view of what has already been said, it is not necessary to dwell upon this controversy as to "pressure" subsequent to November 9, 1937. It is more important to recall that, as the deputy minister in effect testified, the matter of the choice of a contractor for "departmental guns" was from his point of view virtually concluded by the war office cable of November 9, 1937 (Exhibit 182). The proposed production of Bren guns in Canada having been before the war office almost continuously

from Major Hahn's first visit in November, 1936, down to the end of January, 1938, the war office then very naturally expressed its anxiety that progress should be made and suggested that delay might be prejudicial (Exhibit 211).

The CHAIRMAN: I wonder if the hon. members of the committee will permit me to make two or three observations at this time. My first observation is that I am sure if we sat here for another three months that the hon. member who has just spoken and the hon. member for Vancouver-Burrard would not agree on the point. Now, gentlemen, I believe the witness, with the indulgence of the committee, wishes to make a short correction in his evidence of last night, and then I also understand it is agreed amongst the members of the committee that Major Hahn is to be called to give evidence, which I hope will be as short as possible.

The committee must then decide what procedure we are going to follow at 3 o'clock, which should not take long. Then, I want to read one reference, if you will permit me, gentlemen.

Mr. GREEN: Mr. Chairman, before you go on, Mr. McGeer asked if we would object to having Major Hahn come on in the middle of General LaFlèche's evidence, and in view of the fact the house was to close we did not want to interfere with Major Hahn, but we do think that proper opportunity should be given to cross examining him after he has made his statement. Mr. McGeer is asking that.

Mr. McGEER: I have one or two questions I should like to ask General LaFlèche.

Mr. GREEN: If that is the case, I have three or four questions I might have to ask.

Mr. McGEER: We may have to sit after 1.

Mr. GREEN: I am willing to withhold asking my questions of General LaFlèche in order that Major Hahn can take the stand, but I am not going to do that if Mr. McGeer is going to ask his question.

Mr. McGEER, I think we could finish them in ten minutes.

Mr. GREEN: You think that, but you will probably take fifteen minutes.

The CHAIRMAN: In order to come to a unanimous agreement on the matter, suppose we agree that in ten minutes General LaFlèche will finish and Major Hahn will immediately take the stand.

Mr. GREEN: That is not fair, because Mr. McGeer will take the ten minutes.

The CHAIRMAN: I will see that he does not. We will take ten minutes.

Mr. McGeer gets two, you get two, and General LaFlèche gets six.

Mr. GREEN: I think the best way is to let General LaFlèche go on, otherwise Mr. McGeer will get in his questions to General LaFlèche and I will not.

The CHAIRMAN: Go ahead, General LaFlèche.

The WITNESS: Mr. Chairman and gentlemen, yesterday afternoon, I believe, the Hon. Hugh Stewart was questioning me on the evidence in part of Colonel Drew. At the time I stated that I was not sure of what had been said. I did make a very distinct reservation in my replies. I since tried to obtain the transcript of the evidence. I got it about fifteen minutes ago and I have not had time to read it. However, I believe I was asked whether I believed Colonel Drew had charged me with fraud. I said that I did not think that he had finally. I believe I was asked whether he had charged me with dishonesty; and I told him that as I understood his evidence to have been given to this committee this week, he had not; and there was a question of corruption, and I again stated that as I understood what had been said—I had not read the record—I believed that he had not so charged me. The end of it was, as I recall

[Major General L. R. LaFlèche.]

it, that I was to have left an impression that Colonel Drew had in his own opinion absolved me of everything, of anything which a gentleman would not permit to appear against him. To make it perfectly clear, I want to say that my opinion is that Drew maliciously, viciously and falsely, first made a statement before Commissioner Davis when he said I was not to be believed; and as best I can find it in the transcript of evidence of yesterday's date—I have hardly had time to turn over three pages and merely glance at it—my recollection is or my belief this morning is that he let that stand. He also gave some reasons—

*By Mr. McGeer:*

Q. Let what stand?—A. The fact that I was not to be disbelieved.

Q. You mean believed?—A. Believed; and when one remembers that I was under oath before Commissioner Davis—and as a gentleman, I am as truthful here now as I can possibly be under oath—his words then charge me, as I understand it, with perjury. That was brought very sharp to my attention by some gentleman of the committee here yesterday afternoon—I think it was Mr. Slaght—when he told me what that meant. I have termed the accusations—if there are any such accusations in the record—as malicious, vicious and entirely false.

*By Mr. Green:*

Q. We covered all that last night.—A. Just a minute, I was trying to answer questions to the very best of my knowledge, and I have looked up, as I have said, as best I can, the transcript of evidence. I was reminded yesterday afternoon of the true meaning of these false, malicious and vicious statements made by Colonel Drew, and I, of course, so term them now.

Mr. HOMUTH: Of course, we have not got a transcript.

An Hon. MEMBER: Order.

The WITNESS: Colonel Drew, I believe, gave some reasons why I was not to be believed.

*By Mr. Green:*

Q. What is the date of that transcript?—A. I think it is yesterday's. I was just handed it this moment. He gave some reasons.

Q. What page?—A. I cannot find it. Anyway, I want to leave it very clearly on the record that that is my opinion of Colonel Drew's actions.

Mr. HOMUTH: What page is that?

The CHAIRMAN: The day before yesterday; that would be June 1st.

Mr. HOMUTH: Have we got that?

The CHAIRMAN: I have given you yesterday's, Mr. Homuth. I think Colonel Brooks has the other.

The WITNESS: Then, if I may, I just want to go a little further. I am limping through this because I have not had the opportunity of seeing the record, nor do I find what I believe to be in the record. If Col. Drew's statement and reiteration of his belief that I was not to be believed has anything to do with fraud—

Mr. HOMUTH: We have not got the transcript.

The WITNESS: —corruption, or dishonesty, I cannot find words with which to brand the man who made the statement—not to sufficiently brand him. I cannot possibly express my conviction of his deepness and vileness, if indeed in the record one may take from his evidence that he meant anything of that kind.

*By Mr. Brooks:*

Q. Just at this point, General LaFlèche, just in order to keep the matter clear—A. I am sorry it is not clear because I can not find the record.



Q. The statement you are making is entirely with reference to the statement of Major Drew and applies to no one in connection with this committee or the House of Commons?—A. Oh, certainly not.

Q. You will admit, General LaFlèche, that Colonel Drew was here through certain statements made by you with reference to him and to his character; that is, you in fact called him a traitor to his country, which I think is a very serious charge as well. You and I, as old soldiers, know that if a man is a traitor to his country, he should be stuck up against the wall and shot.—A. That is the case. That is just it. May I say a word in reply? I did not name any person when I made my statement.

Q. There was no doubt as to whom you meant?—A. If you will let me proceed, please, I should like to. I referred to the person or persons who had started all this thing; and Mr. Hunter and Colonel Drew came forward.

Q. Whom did you mean, General LaFlèche?—A. I do not know.

Q. You must know; if you make definite charges, you must know whom you mean?—A. No. I was branding the persons responsible for starting it. My reason for doing that is my knowledge of the results of their actions, the harmful results to Canada and the Empire.

Hon. Mr. STEWART: We have had all that *ad nauseam*.

The WITNESS: Just a minute.

Hon. Mr. STEWART: We have had it over and over again.

The WITNESS: Are we satisfied that no one else is connected with these two gentlemen?

Mr. BROOKS: It is just the personal paying of compliments between General LaFlèche and some one he says he did not know who—

Hon. Mr. STEWART: That is it.

Mr. BROOKS: But the finger points, of course, to George Drew and possibly Mr. Hunter; and they both came. We have had this discussed *ad nauseum*, as my hon. friend Mr. Stewart has said.

Mr. McGEER: There is only one thing I think we should put on the record here. Mr. Bercovitch—

Mr. GREEN: Where are you reading from?

Mr. McGEER: H-3.

Mr. GREEN: Of what?

Mr. McGEER: Of yesterday's proceedings, I will show it to you. Page H-3 reads as follows:—

Mr. BERCOVITCH: May I say a word in this matter? While I can understand that if the motion is carried it would seriously inconvenience my friends, the gentlemen who are acting in opposition to the government, and probably inconvenience Colonel Drew; none of us want to do that; but on the other hand, as Mr. McGeer in my humble opinion has very properly pointed out, this is an extremely serious matter and one that could not possibly have been anticipated in any way; no one for a moment believed that Colonel Drew would go so far as to reiterate the accusations that he made before the Davis inquiry, something which he positively did; and now this has gone out to the press throughout this country—

The WITNESS (George Drew): I did reiterate them, exactly.

Mr. GREEN: Mr. Chairman, I think to keep the record absolutely straight—we are having a great time keeping this record straight. I do not know who will ever be foolish enough to read it; but still we ought to keep it straight.

Hon. Mr. STEWART: It is about the crookedest one I ever saw.

[Major General L. R. LaFlèche.]

Mr. GREEN: I think it should be pointed out that Mr. McGeer deliberately went at Colonel Drew, time and again, to try to get out every and any possible statement that could be then turned around and then thrown back at General LaFlèche to make him get riled up. Then when General LaFlèche came back on the stand, Mr. McGeer and Mr. Slaght deliberately read out things that were almost certain to make General LaFlèche feel badly, with the result that there has just been a stirring up of mud on what is obviously, perhaps, a dispute between General LaFlèche and Colonel Drew and has nothing to do with the committee or with the reference to it.

*By Mr. MacNeil:*

Q. General LaFlèche, were your remarks not designed to suggest that Colonel Drew or Mr. Hunter, president of the Maclean Publishing Company, were associates or accomplices of the people who are traitors to Canada?—

A. No, I should have pointed out they were the only two persons coming forward.

Mr. MACNEIL: And you are branding them as traitors now.

Mr. BROOKS: That is a very serious charge.

The WITNESS: There has been a great deal said about that. I believe I have shown you the results of their action.

Hon. Mr. STEWART: I think, in fairness to General LaFlèche and the position I took last night, I must ask two or three questions. I wish first to point out to you, Mr. Chairman, and to my friend Mr. McGeer, in connection with his suggestion last night, the terms of this reference—you will find it at page one of our first printed minutes of March 9th, 1939—

*Ordered,*—That a copy of the agreement between the government and the John Inglis Company of Toronto, for the manufacture of Bren machine guns, the Report of the Royal Commission dealing with the said agreement and all related documents, evidence, vouchers and exhibits, be referred to the Standing Committee on Public Accounts.

That is the reference. Mr. McGeer suggested last night what looked like a plausible proposition; which was that this committee should make an interim report finding that what he called charges against Major-General LaFlèche, the Deputy Minister of National Defence and the Minister of National Defence had not been sustained. Now, when did the committee get any authority to deal with those questions at all? I do submit that looking back now we have spent a great deal of time endlessly and improperly rehearsing, reviewing and discussing this difference between Colonel Drew and the Deputy Minister of National Defence arising out of this article. That is not what we were to do at all. And if charges which General LaFlèche seems to resent very strongly notwithstanding the statements of Colonel Drew which are here for consideration and which have taken up a lot of time in this committee, I submit, Mr. Chairman, that the Deputy Minister of National Defence is himself to blame for them. He started making charges and imputing motives, and all that sort of thing.

Mr. BERCOVITCH: He did not write the article in Maclean's magazine.

Hon. Mr. STEWART: The article now referred to was not for investigation at all.

Mr. BERCOVITCH: Oh yes, it was; it is part of the evidence of the Davis inquiry.

Hon. Mr. STEWART: Oh, well, all right. I am going to ask General LaFlèche if he can find in the reports of the evidence the statement made by Col. Drew with respect to what he is now dealing with, the charge that his evidence should not be believed before the commission.

Mr. McPHEE: He has explained that to all of us. It was reviewed here yesterday. He said all that he said before the Davis commission.

Hon. Mr. STEWART: What was it he said there?

Mr. McPHEE: It was explained to everyone in the committee.

Hon. Mr. STEWART: Please, just let me get along. If you can find the page I would like to have it. Just keep it there if you find it and we can check it up and then we can get rid of it.

The WITNESS: All right.

Hon. Mr. STEWART: I think you are wrong this far, this statement of Col. Drew's did not suggest that you were guilty of perjury; didn't he state that?

Mr. GOLDING: What did that mean?

Hon. Mr. STEWART: If you would just leave me alone. That is Mr. McGeer's interpretation.

Mr. GOLDING: I suppose you are not supposed to open your mouth here at all.

Mr. BROOKS: You are supposed to keep it shut sometimes.

Mr. GOLDRING: Mr. Brooks, don't you tell me to shut up.

The ACTING CHAIRMAN: Order, order.

Hon. Mr. STEWART: I want to know if you can find what Col. Drew said in reply to that statement by Mr. McGeer; in reply to the interpretation of perjury which Mr. McGeer tried to place on his argument before the Davis commission.

The WITNESS: I think, Mr. Chairman, and Mr. Stewart, that it began with the questioning of Col. Drew with respect to a portion of his argument before Mr. Commissioner Davis in the following words:

Mr. GREEN: Who put the question, General LaFlèche?

The WITNESS: I will give you that when I find it in the evidence.

He said; "I submit that from the beginning to the end LaFlèche's evidence is not to be believed. The evidence he gave is in direct conflict with what has been shown by the record and by the evidence of other witnesses."

That is something said before Mr. Commissioner Davis.

Then he was questioned before this committee and the question is: "Then you repeat the charge here to-night?" And I will read it to you so that—and the answer comes; "I say that the evidence is not to be believed, and if you read the evidence you will find the specific instance that I gave that it is impossible to accept evidence which contradicts the earlier evidence given by myself."

Then, on another occasion:—

Mr. BERCOVITCH: May I say a word in this matter? While I can understand that if the motion is carried it would seriously inconvenience my friends, the gentlemen who are acting in opposition to the government, and probably inconvenience Col. Drew, none of us wants to do that; but on the other hand, as Mr. McGeer in my humble opinion has very properly pointed out, this is an extremely serious matter and one that could not possibly have been anticipated in any way; no one for a moment believed that Col. Drew would go so far as to reiterate the accusations that he made before the Davis inquiry, something which he positively did; and now this has gone out to the press throughout this country—"

And the witness answered:

I do reiterate them, exactly.

[Major General L. R. LaFlèche.]



Mr. BERCOVITCH: That is part of yesterday's evidence.

The WITNESS: Yes.

Hon. Mr. STEWART: Now, there was some other further reference some place in there, and if you will give me the page we will try to find out where he goes into it more fully than that. I heard him state, as I recall it, distinctly, that that statement was not open to a charge of perjury against General LaFlèche.

Mr. McGEER: Apparently we are not going to hear Major Hahn if you insist on that.

Mr. GREEN: Well, you started it.

The CHAIRMAN: It will take 15 minutes to find that reference, Mr. Stewart.

Hon. Mr. STEWART: I certainly do not wish to leave an inference of this kind with all the imputations that confront it without clearing up the evidence.—A. I was very careful to say, Mr. Stewart, that my remarks were based upon the true contents of the record, because I have not been able to find it.

Q. I am not dealing with your remarks, I am trying to get the evidence of Colonel Drew who made a statement on two or three occasions in answer to pressure by Mr. McGeer on that phase of his statement before the Davis commission, and we have not got all of it. I am sorry, I cannot find it here, but I know there is something more than has been read by Colonel LaFlèche. Possibly during adjournment we might find it.

Mr. BERCOVITCH: You mean he said no worse?

Hon. Mr. STEWART: No, he said better.

The CHAIRMAN: I wonder, gentlemen, while we are looking this up, if we could call Major Hahn, and then come back to this?

Hon. Mr. STEWART: I would like to clear this up now instead of going on with something else.

Mr. MCPHEE: If you have not the evidence, then let us get on.

Mr. GREEN: Mr. Chairman, we all heard what Colonel Drew said, to the effect that it was like a case in a civil law suit where there are two stories put up, one by the plaintiff and one by the defendant and the judge has to decide which party to believe. It is not a question of imputing perjury or anything of that kind.

Hon. Mr. STEWART: That is what I want to get cleared up, and if Colonel LaFlèche recalls and will admit that he heard Colonel Drew make a statement of that kind, whether he agrees with it or not, that that article or statement before the Davis commission was not open to an imputation of perjury by Colonel LaFlèche.

The WITNESS: He said I was not to be believed.

*By Hon. Mr. Stewart:*

Q. Oh, no, no. I am asking you did you hear him say that it was not open to that interpretation that you were guilty of perjury?—A. I am trying to find that in the record.

Q. Did you hear him say that?—A. I do not recall clearly.

The CHAIRMAN: We have now got the record and I shall read it, with your permission:—

*By Mr. McGeer:*

Q. Do you say that a public official who has the responsibility of a deputy minister of National Defence throughout eight weeks of evidence was not to be believed throughout; you as counsel responsible make that

charge; that the finding of the commissioner was not intended to clear LaFlèche completely of the charge made against him to the Honourable Mr. Justice Davis?—A. Now, you know perfectly well that it was not, and you know it was not charged. You know perfectly well that you never argued a case in your life where there was a dispute between the parties in which it is not a question as to which side was to be believed one way or the other and a finding made on that basis; and when you made your own suggestion that that was a charge of perjury you knew that that was not so; you know perfectly well that the judge made a finding that he was not going to deal with the conduct of individuals. If you go through the evidence I think you will find that it was, as a matter of fact, Mr. Forsyth who introduced the word “crooks” at one time, and I said, now there is not going to be anything of that kind, we are dealing here merely with the whole details of this contract, and in which the judge disposed of it—

*By Hon. Mr. Stewart:*

Q. That is not the extract I had in mind. Perhaps we can shorten this up. I am sure that Colonel LaFlèche is anxious to make any admission that will produce that result. I shall ask him this question: Either from the reading of the record or from hearing Colonel Drew’s evidence when you were here, do you not recall the statement that he did not impute to you that you had been guilty of perjury?—A. Oh, I do not recall that.

Q. That is in the record somewhere.—A. Just a minute. I have not read the record and I did not hear Colonel Drew throughout.

Mr. McGEER: If it will shorten it up, I will agree with you that Colonel Drew did say that. There is no question about it. It is on the record. We had better adjourn until 2 o’clock and hear Major Hahn then. Is that agreeable to you? Or we could go ahead and hear Major Hahn now.

Mr. HOMUTH: Supposing we go on at 2.30?

The CHAIRMAN: We cannot go on at 2.30.

Mr. HOMUTH: Why not?

The CHAIRMAN: I will give you the statutory reasons in a minute or two.

Mr. McGEER: Do you mind if I just ask General LaFlèche one question?

Mr. GREEN: Now, Mr. Chairman—

Mr. McGEER: I will tell you what the question is before I ask it.

Hon. Mr. STEWART: That is the same as asking him.

Mr. McGEER: No. The question is as to the report of General Ashton to the effect that that machinery was in store in Valcartier, and I simply want to know whether or not that was a correct statement.

Mr. GREEN: That opens up the whole question.

The CHAIRMAN: Gentlemen, let us decide what we are going to do.

Mr. McGEER: I move we adjourn until 2 o’clock.

(At 1 p.m. the committee adjourned to meet again at 2 o’clock this afternoon.)

## AFTERNOON SESSION

The committee resumed at 2 p.m.

The CHAIRMAN: Gentlemen, if you will come to order we shall proceed. I think the understanding was we would call Major Hahn. I may say that before the witness proceeds, as far as we can ascertain now there is a possibility of the house not proroguing until some time to-night. Apparently the Senate has made two or three amendments to the mortgage act. I left word to have the committee apprised just as soon as they have any definite knowledge of when and what they are going to do. That is the way it looks now.

Will you take the stand, Major Hahn?

Major J. E. HAHN, recalled.

Mr. BROOKS: I think we ought to make an effort to get through by 3 o'clock so we can get into the house at 3 o'clock for the last session. The mortgage bill is important to all of us.

The CHAIRMAN: I trust my hon. friend will appreciate that I am in the hands of the committee.

Mr. BROOKS: I thought a word to the wise, Mr. McGeer, would be sufficient.

Mr. McGEER: Ah, now, that may not help you any. It is cheap stuff from that quarter.

*By Mr. McGeer:*

Q. Major Hahn, there was some statement made in exhibit 281 by Colonel Drew dealing with the establishment of a small arms plant in Canada. He quoted a report of Major Ashton, made on the 27th January, 1936. This is what it states:—

It was proposed to erect a small arms factory at Valcartier after the ammunition group had been completed; the majority of the necessary machinery is available from the old Ross rifle factory.

You are acquainted with the old Ross rifle factory?—A. We examined all over it.

Q. What was the use made of it?—A. It was all shipped up to our plant, and out of 180 machines that were shipped to our plant, approximately 156 out of that have been rebuilt and installed.

Q. What percentage of the machinery required to manufacture Bren guns did that constitute?—A. I would say about 15 per cent in cost. You see, the machinery that was at Valcartier that was left when we examined it, was apparently only some of the special machines for gun making. All the milling machines, for example, of which we will have over 100 in our plant, and which must have been used in making Ross rifles as well, apparently had been disposed of. The only machinery left for gun making was certain special machines such as profiling machines, barrel-boring, barrel-rifling and barrel-reaming machines; all the other essential machinery for making any small arms—none of that existed there, it had all apparently been disposed of.

Q. Were there any tools, dies or jigs there that were of any value to you?—

A. Oh, my, no. Tooling, of course, is special for each weapon.

Q. Did you use all the Ross rifle machinery that was available that you could?—A. Yes.

Q. And that was a total of 15 per cent in value? What percentage would that be in number, Mr. MacNeil wants to know?—A. We will have about 550 machines installed when our installation is completed.

Q. You say 156 of them came from the Ross rifle factory?—A. 156 came from the Ross rifle factory.



Q. Of course, they are still the property of the government?—A. That is correct.

Q. Now, you heard the statement of Colonel Drew that no information had been given to the war office that the plant was a closed down plant and that it had been in a receivership. That is, the old John Inglis Company. I show you exhibit 328 in the Davis inquiry.—A. Yes.

Q. What is that?—A. These are photographs of the John Inglis Company closed down just as we purchased it before we opened it, with not a man in it and not a piece of equipment being produced in it.

*By Mr. MacNeil:*

Q. Taken when?—A. Taken October, 1936.

*By Mr. McGeer:*

Q. What did you do with that?—A. I took that with me to England as well as the large scale blue prints showing the specifications of each building and of each machine, and I showed the photographs as well as these specifications to Sir Harold Brown and to Mr. Widdows in charge of the industrial planning for the war office.

*By Mr. Brooks:*

Q. Is that an exhibit before the commission?—A. That is exhibit No. 328 before the commission. That was put in by myself.

*By Mr. McGeer:*

Q. I think every member of the committee should look at this, because—  
—A. I should like it passed around, please, and also I should like the press to see it.

Q. It discloses that the plant was not only closed down but in a condition that obviously indicates that it had not been operating for some time?

Mr. MACNEIL: Do you make that out from your examination?

Mr. McGEER: That is what I say the photographs show.

The WITNESS: I should like to suggest if I had shown these photographs to any intelligent man or any engineer and suggested that those were the photographs of a working plant or a plant in operation, I would be thrown out of his office; he would think I was a fool as well as a liar.

*By Mr. McGeer:*

Q. Would you mind just telling us what information you conveyed to the British War Office and to the Department of National Defence, that the plant was not operating and that you were taking it over and re-establishing it as a going concern?—A. May I just go over the background for a moment.

Q. Yes.—A. I should just like to read from the evidence here that will give in the most concise way the information I had supplied to the department. The evidence before the commissioner at page 704, given by Mr. Elliott, is as follows:—

I make that statement because it is a new company, but the company the committee knew it was dealing with was a company which had recently gone into the hands of the receiver.

*By Mr. Green:*

Q. Whose evidence is that?—A. Mr. Elliott's before the commission. Mr. Elliott's evidence on page 706 deals with the contract.

[Major J. E. Hahn.]

*By Mr. McGeer:*

Q. Can you not tell us what you told the department of defence and Sir Harold Brown when you first met them?—A. I told the Department of National Defence that I had acquired control of the properties of the John Inglis Company and that it was closed down; that I was going to put it into operation and that I was after business. The department had their own man, as you know, Mr. Alguire, go through the plant.

Q. Did you go through with him?—A. I went through with him.

*By Mr. MacNeil:*

Q. Prior to October 20th?—A. In October; I forget.

Q. Prior to October 20th?—A. It might be, I do not know; before I sailed I went through the plant with Mr. Alguire.

*By Mr. McGeer:*

Q. Before you went to London?—A. Before I went to London.

Q. That is before you went to London?—A. Before I went to London. I also gave to the department the blueprints, the large-scale blueprints, showing the machinery and the capacity and specifications of each machine.

Q. That is the Department of National Defence here?—A. Yes, the Department of National Defence.

Q. Did you show them these pictures?—A. I do not think so; because their man was through the plant and could form his own impression as to plant conditions. I also gave them my bank references; and there was absolutely no question whatsoever of attempting at any time to convey the idea that it was an operating concern, and that I was simply continuing operation of an operating John Inglis Company, Limited. I mean, that suggestion is simply preposterous and ridiculous; and I do not see how, on the face of the evidence, it can possibly be made. There was nothing to conceal. I was perfectly frank about everything I did. I was going to buy a plant. I was going to open it up. I was out to get business for that plant, and I went out and I got business for the plant. I opened it up and it is in operation. I am employing three hundred men to-day and I will be employing twelve hundred men by the end of this year; and every undertaking that I have made I have carried out.

Q. What is the bank that you have referred to?—A. The Bank of Montreal, with whom I had done business for many years.

Q. You are charged with perpetrating a fraud against the British war office. He says that you did not disclose that the plant was closed down and in a receivership. To whom did you refer the British war office?—A. To whom did I which?

Q. To whom did you refer the British war office?—A. I referred the British war office to my bank. I also told them that the plant was closed down. If I had had any intention of misleading them, I certainly would not have taken with me and showed them those pictures. The very fact that I was frank enough to show them those pictures that you have seen must indicate there could not have been any intention on my part at any time to indicate that it was an operating plant.

Q. You referred them to your bankers?—A. Yes.

Q. Who were your bankers?—A. The Bank of Montreal.

Q. Did your bankers know of your proposed purchase of the John Inglis Company?—A. They knew all about it.

Q. Did they know it had been in receivership?—A. Yes; they certainly did.

Q. Did they know the price you were paying for it?—A. Absolutely, yes.

Q. And they knew that before you went?

*By Mr. Green:*

Q. Who knew that?—A. My bankers.

*By Mr. McGeer:*

Q. The Bank of Montreal knew all about the purchase, knew the price that was being paid, and knew that the Premier Trust Company was the receiver; is that right?—A. That is correct, yes.

Q. And knew all the details of your proposed purchase, including the amount you proposed to invest in it; and you referred the department to them. They knew that; that is the Bank of Montreal knew that before—or when did they know it?—A. Before I left; as soon as I became interested.

Q. I am talking about the Department of National Defence. Did they know it before you came to the Department of National Defence?—A. Yes.

Q. And they knew it before you went to London?—A. Yes; that is correct.

Q. Do you know whether or not the war office inquired from the Bank of Montreal?—A. Yes. They went straight to the Bank of Montreal while I was in London, the Bank of Montreal in Toronto.

Q. I might show you this exhibit 52 which is a letter of the Bank of Montreal, or a copy of a letter of the Bank of Montreal and a copy of Dun & Bradstreet's report which was handed to the interdepartmental committee. I show you that Dun & Bradstreet report?—A. Yes.

Q. Did you take that to London with you?—A. Yes.

Q. What did you do with it when you were in London?—A. I gave it to Sir Harold Brown.

Q. You gave it to Sir Harold Brown?—A. Yes.

Q. Sir Harold Brown of what?—A. Of the war office; director-general of munitions production.

Q. There is a history of the plant there in which, among other things, is included, as we have read before:—

Volume of business did not increase and April, 1936, the Premier Trust Co., Toronto, were appointed interim receivers. Finally the bondholders took control of the fixed assets, while the bank took possession of the stock and accounts.

A. Yes. Will you read the next paragraph as well?

Q. Yes. It reads:—

In the fall of 1936 the plant and assets were purchased from the bondholders by a new group headed by Major James E. Hahn and a charter was obtained under Ontario laws, as British Canadian Engineering Ltd., November, 1936, with authorized capital \$250,000, in shares of \$1; subsequently, the par was changed to \$6. Since then the plant has been completely overhauled and a certain amount of work done for old customers.

That statement is true, is it not?—A. That is correct. And if you would just read the next paragraph, it shows about the name.

Q. All right. It reads:—

In June, 1937, the charter was amended, changing the name to John Inglis Company Limited.

Major Hahn had associated with him a number of responsible people, whose names for the time being are not divulged.

*By Mr. MacNeil:*

Q. May I ask when you gave it to Sir Harold Brown?—A. In February, 1938, about five or six months before the contract was signed.

[Major J. E. Hahn.]



*By Mr. McGeer:*

Q. Under what?—A. Five or six months before the British contract was signed.

Q. In February of 1938?—A. Yes.

Q. The contract was not signed until—A. Until July of 1938.

Q. July of 1938?—A. Yes.

Q. What did Sir Harold Brown say to you when you handed him that Dun & Bradstreet report?—A. He indicated that he had all the information he wanted.

*By Mr. Green:*

Q. He indicated what?—A. That he had all the information he wanted.

*By Mr. McGeer:*

Q. Well, because of this report?—A. No. Apparently their own investigation.

Q. He indicated to you that he had all the information that he wanted?—A. Yes.

Q. And through his own investigation; is that what I understand?—A. Through his own investigation.

Q. Independent?—A. Independent investigation of his own.

*By Mr. Brooks:*

Q. Did he state that, Major Hahn?—A. Well, he did not just put it in those words.

Q. Or is it that your supposition?—A. He just did not put it in those words. I just handed him that in our conversation, and he did not seem very interested. He made some comment to the effect, "We have all the information we want," or something of that type. I did not discuss it any further because I knew that they had made their own investigation in Toronto.

Mr. GREEN: Of course, he had the Canadian government behind him.

Mr. McGEER: That has nothing to do with this examination, and it is a reprehensible inference about a man when he is under a charge of fraud. If you have no respect for your political duty, you ought to have respect for this man in the position he is in.

Mr. GREEN: I want to be told what my duty is by better authority than you.

Mr. McGEER: You do; for many of the things you say here, in accordance with that are below any level of ethics.

Mr. GREEN: You do not understand ethics at all.

Mr. McGEER: You do not mean to say that to me. You cannot say that to me, and I will defy you to say it any place where you have not the protection which you have here. If you want to say that kind of thing to me, there is a proper place for you to choose to do it.

Hon. Mr. STEWART: Has this developed into a duel?

Mr. McGEER: No, it has not developed into a duel; but there is a limit to the type of insult a man has got to take, even in this kind of court.

Hon. Mr. STEWART: Mr. Chairman, I appeal to you; and I suggest that no member of this committee has thrown out more insults than the gentleman himself.

Mr. GREEN: I have got to be careful. He is one of my constituents.

Mr. HOMUTH: He is likely to vote for you.

Hon. Mr. STEWART: That would be one of his ethics.

Mr. McLEAN (Melfort): Order, order. There is too much foolish chatter going on here.

*By Mr. Brooks:*

Q. Now, Major Hahn, you have heard the charges that were levelled at you both with reference to your non-disclosures of fact to the Department of National Defence and to the British War Office. Were any pertinent facts, or any facts that you knew of with reference to the taking over of the assets, the goodwill and organization of the John Inglis company, its condition as to receivership, its condition of closed down operations, its equipment and facilities for the manufacture of munitions and arms, that were not disclosed to both the Department of National Defence and the British War Office?—A. No. I made every disclosure that I thought necessary, that I was asked for.

Q. Was there anything that was not disclosed?—A. No. I made it perfectly plain that I had bought a closed down plant, that I was trying to open it up, and that I had the money with which to finance the undertaking.

Q. What do you say about the charges of fraud that have been levelled against you in that regard?—A. I say they are false and ridiculous.

Q. Now, you have received a communication from the British War Office. Have you got that with you—A. Yes.

Q. What is the date of it?—A. It is dated the 7th of November, 1938.

Q. Will you read that for the record, please?—A. Yes. It reads:

GENTLEMEN,—With reference to the agreement dated 18th July, 1938, between your company and the Secretary of State for War for the supply of Bren guns, I am commanded by the Army Council to inform you that the necessary formal licence has been granted to the Dominion government to cover manufacture on its behalf in your factory, but it has been deemed necessary that a further licence should be issued to cover manufacture in your factory to the order of the Secretary of State.

I am therefore to enclose two copies of this document which has been signed on behalf of the Secretary of State and to request that you will arrange for signature on behalf of your company and will return one signed copy to this office for retention.

I am,

Gentlemen,

Your obedient servant,

(A. WIL DOWS).

Q. That licence is still in operation?—A. Yes, it is.

Q. Now, you heard some statements about the sale of stock. Have you sold any of the shares you received either as vendor's shares or as treasury shares?—A. No, I have not.

Q. In addition to the vendor's shares you have subscribed for, how many shares do you own in the company?—A. Approximately 35,000.

Q. At how much?—A. \$6 a share.

Q. How much were you committed for with respect to your investment in the company?—A. It works out between \$210,000 and \$215,000. If you take the value of the stock \$6, and multiply it by the number of shares, 35,000 odd, it comes out to between \$210,000 and \$215,000.

*By Mr. Brooks:*

Q. You said that you had put up \$207,490 in cash?—A. That is what I have paid. I have taken up practically the entire stock.

[Major J. E. Hahn.]

By Mr. McGeer:

Q. There was some statement here to the effect that you were committed to some further obligation with respect to working capital or something of that kind; was there any other commitment?—A. We have committed ourselves, the original shareholders, if we require an additional \$100,000.

Q. Now, Col. Drew in his article made the statement at page 33, column 1, that is in the article published on Nov. 1, 1938, in *Maclean's Magazine*—"This stock has value only because the Minister of National Defence has undertaken to buy Bren guns with public money"; get the wording of that. "this stock has value only because"; that is referring to that stock, "only because the Minister of National Defence has undertaken to buy Bren guns with public money"; what have you got to say to that?—A. That is absolutely false and absurd.

Q. Why?—A. Well, any childish arithmetician could figure out that we have put up \$350,000 cash in the company, and there were 250,000 shares, and even if the assets were not worth one cent more than that, there is at least—\$350,000 divided by 250,000 shares would give you the figure—any child could figure it out. Now, there is another factor. I have heard a great deal of discussion here of this stock, and I want to say, gentlemen, you have been absolutely fair to me, you gentlemen of the committee; a number of you have been very unfair to the company and to me in the presentation of this stock matter. I have heard the statement in the discussion here and in the questions asked, the constant suggestion about the stock, the future of the stock, the future of the company, its value as based upon the Bren gun contract: Whereas the truth and the fact is that it is not based on anything of the kind. I am the controlling owner of the John Inglis company. Everybody seems to have the idea that they are better qualified than I am to say what the purpose of the company is, what it is going to do, what it is going to earn and what it is going to amount to. As a matter of fact I probably am the man who knows best what it is going to be because I am directing that company. I want to tell you gentlemen that the future of the John Inglis company is not in the Bren gun contract, the future of the John Inglis company is its commercial business that you have seen in operation when you were through our plant, and that is the long range future of our business, and there lies the long range future of our profits. The Bren gun profits I hope are only incidental to our profits; and none of you have suggested that in the six years of this contract, during the life of the contract—it does not seem to have occurred to anyone, or if it has it has not been clearly stated, that it might be quite possible that we might have very substantial profits in our commercial division; which as a matter of fact we have budgeted for and which we expect to make concurrently with the Bren gun contract. And, as I have said, there has been no disposition to be unfair to me at all, but I do wish you would remember that we are a commercial company in operation, and that that is my responsibility as president of the company, and that we are fast becoming one of the largest employers of labour in Canada, and we are shortly going to be able to employ a thousand men or more. I do feel, gentlemen, that surely all of you want to assist an enterprise of that kind, and not in any way even unintentionally do it an injury.

Q. Well now, Major Hahn, just to go back to this statement: "This stock has value only because the Minister of National Defence has undertaken to buy Bren guns with public money"; when those assets were in the hands of the receiver they had some value, did they not?—A. They had value, we paid \$250,000 for them.

Q. And you purchased them from the receiver when the plant was closed down?—A. The plant was closed and we considered it a great bargain.

Q. That \$250,000 worth of assets are in the company which the stock to which this article which I have read to you refers?—A. That is correct.



Q. That is, this article refers to the stock of the company that you own yourself?—A. That is correct.

Q. And the value of that plant when it was closed down and in the hands of the receiver was \$250,000?—A. That is correct; but we have it insured for \$1,250,000, and that is what we figure it is worth.

Q. Why?—A. Because if we had a fire or anything of that kind there it would cost us that much to replace those assets.

Q. In addition to the photographs, blueprints, and so on, did you take anything else to Sir Harold Brown?—A. I took the appraisal.

Q. What appraisal was that?—A. The 1929 appraisal.

Q. Was that the appraisal value that you indicated to the war office?—A. That was the appraisal. That spoke for itself. It was the appraisal dated 1929, and, as I say, he knew we had bought the company. At what price, he did not know.

Q. In connection with this statement in George Drew's article—"This stock has value only because the Minister of National Defence has undertaken to buy Bren guns with public money"—you have told me that the stock had a value because of the assets of the company which were worth, when the company was closed down and not in operation, \$250,000, which was paid to the receiver. In addition to that it had new capital put into it over and above that?—A. Yes.

Q. In addition to that, there was the British contract, and in addition to that there was your commercial enterprise?—A. That is correct.

Q. So that there was the profit of \$267,000 which was the maximum that could be made out of the Canadian contract, and which was all the money in the way of profit to the company that the Department of National Defence or the Minister of National Defence was spending, and there was considerably more than that in other assets of undisputable value in the company; is that not correct?—A. That is correct. That is obvious.

Q. It is also obvious that when George Drew wrote this article those facts were known to him?

Mr. GREEN: Well, now—

*By Mr. McGeer:*

Q. Or available?—A. They were available to him.

Q. He certainly knew about the British war office contract because he described it in his article, and he certainly knew about the Premium Trust Company because he described it in the article. We know from the article itself that they were available. What do you say about this statement in the light of those facts?—A. Well, I again say it is absolutely false and absurd.

Q. Colonel Drew made the statement that he knew that representatives of the John Inglis company went to Czecho-Slovakia at the expense of the Canadian people to learn how to make Bren guns; what do you say about that?—A. That is not correct; they did not go.

Q. Did you ever put in a bill for them for such expense to the Department of National Defence?—A. An approval was put in for the estimated amount if they did go, but they did not go and no bill was ever put in for the expenses.

Mr. HOMUTH: That is what Colonel Drew said.

The WITNESS: No, he did not.

Mr. McGEER: Oh, no, no. When I cross-examined him as to how he could make the statement that is what he said he based it on. But it is like all the other statements of Colonel Drew.

Mr. HOMUTH: We will judge of his statements. Colonel Drew, Mr. Chairman, quite distinctly said that there had been a request for money in order to send these people to Czecho-Slovakia.

[Major J. E. Hahn.]

Mr. BERCOVITCH: That is not what he started out by saying.

*By Mr. Brooks:*

Q. Why did you not send them to Czecho-Slovakia?—A. Because at that time the situation in Europe became so obscure that it was not considered wise to send them.

*By Mr. Green:*

Q. But you had planned to send them?—A. We had planned to send them, yes.

*By Mr. McGeer:*

Q. Was not the progress of the Enfield plant sufficient for them to get all the information you wanted there at that time?—A. They were not going from the standpoint of progress of the Enfield plant. The purpose was to inspect certain machinery, small arms machinery that was being developed in that plant.

Q. I do not get your answer.—A. They were not going specifically. There was no intention of going when they first went to England. While they were in England it developed at Enfield that an interest arose in certain machinery that was being developed in the Bren plant. A couple of the Enfield officials were going and suggested that our men should go as well. Therefore the request was made by them to me here and particularly by the department, but the trip was not undertaken by anyone, for the reasons I have mentioned.

Q. It was not a trip to go to Czecho-Slovakia to learn how to make Bren guns?—A. No.

Q. It was merely a trip to go there to inspect certain machinery that was being developed to make Bren guns?—A. That is correct. The Enfield officials suggested that our men, being that far, it would be advantageous for them to go.

*By Mr. Brooks:*

Q. You were equipping your factory at that time?—A. Yes, if there was other machinery that might be of use to us—

*By Mr. McGeer:*

Q. But as far as learning the method of production of Bren guns—A. We took exactly the same position as England. England sent her engineers to Czecho-Slovakia for instruction, and they came back and produced the Bren gun in England. We sent our engineers from Toronto to Enfield for instructions and they have come back and are producing Bren guns here.

Q. In connection with the estimates that were made up as to the cost of the gun—

Mr. MCPHEE: Before you leave that, I should like to read this question you asked at page 964 of the evidence:

Q. Yes. Do you say then that he did not have access to the expert advice of the Enfield plant in England?—A. I did not suggest it.

Q. Do you know that, as a matter of fact, the men who are engaged in setting up the plant were sent over to Enfield?—A. I know more than that. I know that they were sent to Enfield and also sent to Czecho-Slovakia at the expense of the Canadian people, in order to learn how to do it.

That is Col. Drew's evidence.

*By Mr. McGeer:*

Q. What do you say about that statement?—A. That is not correct.

Q. What do you say about that statement, is it true or false?—A. It is false.

Mr. HOMUTH: Read it all.

Mr. McGEER: I examined him on that and I found out there was no justification for his statement at all. There was justification for stating that there were preparations to be made, or being made. But because there were preparations being made does not justify him in saying, "I know that they went, and I know that Canadian public money was spent on them?" Can you justify that kind of thing?

Mr. MacINNIS: That they did not go was a matter of chance.

Mr. McGEER: If you feel you can justify that as a ground for a false statement by a man making accusations of fraud against another man—

Mr. GREEN: The fraud is not in that connection.

Mr. McGEER: No, but we are dealing with his veracity. You see what we are dealing here with is, are we justified in depending upon the statements of a man who jumps at conclusions which go very far beyond the premise? There is no doubt about it that Colonel Drew was particularly suspicious of this whole situation and he allowed his suspicions to carry him into the realm of falsehood. I mean, it is the same thing as making the statement the stock has no value other than that given to it by the expenditures of the Minister of National Defence. Why, that is a lie to the extent of \$483,000.

Mr. HOMUTH: Vendors stock.

Mr. McGEER: That man is accusing Hahn of fraud, perpetrating falsehoods; in the expansion of that charge, which is valued at \$483,000, he is no small liar.

Mr. GREEN: Mr. Chairman, we were told before lunch that Mr. McGeer had some questions to ask, that we would have the opportunity to cross-examine. We do not want to be cut off with a lot of political speeches.

Mr. McPHEE: That is not a political speech.

Mr. McGEER: As a matter of fact, you can rest assured the house will not prorogue—

Mr. HOMUTH: You say here he is a liar; you did not say it to his face.

Mr. McGEER: I did not?

Mr. McPHEE: This proves it.

*By Mr. McGeer:*

Q. Dealing with this question of estimates, did you disclose to the Department of National Defence and to the British War Office the amount of equipment that was available in the John Inglis plant that could be used in the manufacture of Bren guns and the detailed and specific nature of the equipment?—A. Both the Department of National Defence and the war office had a set of blue prints, I imagine, about 15 of them, each one-half the size of this table, and each page showing one of the buildings of the John Inglis Company, and each showing every machine, the size and the capacity of each machine.

Q. Now I want to come down to the time that you were estimating as to what machinery would be required to be installed to produce Bren guns in your plant which the governments of Great Britain and Canada were paying for.—A. It was considered that practically none of our machinery would be of use; in other words, that we would have an entirely new and complete installation for gun making. That was the basis on which all the estimates were set up.

Q. Therefore it disclosed what machinery you had in the rehabilitation or rebuilding?—A. Yes; we sat right down; the estimates were made up in England, and while you are on the estimates I should like also to mention the type of things we have been exposed to here.

Mr. MacNEIL: Here?

[Major J. E. Hahn.]



Mr. McGEER: Not by members of the committee?

The WITNESS: Not by members of the committee, by Colonel Drew who, for example, brought out something to the effect how reliable our estimates were because we had one estimate of \$500,000 and ultimately the estimate for machinery was something over \$1,000,000. Now, the facts were all there when that statement was made; anyone looking at that estimate, the first estimate, that one in December, 1936, the estimates are all there; they are very voluminous; they showed to a dollar what is covered; they show clearly that those estimates simply covered the machinery for the manufacture of six main component parts of the gun; whereas the estimate of the million dollars' worth of machinery showed we are making nearly all of the parts of the 160 odd parts of the gun. I am just bringing that out as an example of the type of thing that we have been subjected to.

*By Mr. McGeer:*

Q. What I wanted to put before the committee is the information that was before the British War Office and the Department of National Defence when the estimates as to the cost of your machinery were being made up.—A. We sat down with the Enfield engineers, gentlemen, and the estimates were made right in Enfield, with the full knowledge of our machinery, and as I say, they were based upon setting up an entire gun-making plant with the newest and best equipment we could get. They were actually going through the same experience even though they were a gun-making plant with many many years of experience, with all of the equipment that they had built up over a period of years for the making of small arms. They themselves were putting in almost a completely new installation for the manufacture of the Bren gun.

Q. What was involved there, the checking up of the machinery that you had in your plant that could be used?—A. They knew everything we had, yes.

Q. And in making up these estimates that you had—

*By Mr. Brooks:*

Q. You had no machinery that could be used?—A. That is correct, Colonel.

Mr. McGEER: I did not catch that.

Mr. BROOKS: He said he had no machinery that could be used for the manufacture of the Bren gun.

The WITNESS: Yes. That is not correct. We are using the wood-working machinery for the woodwork on the guns, and we have been using some of our machinery during the preparation program. We have been using for that, I would imagine, around 30 machines.

*By Mr. Green:*

Q. How many of them came from the old Ross rifle machinery?—A. Numbers? I would say about half and half, half on the tooling and on the pattern making, and the balance would be on the—of course, on the Ross rebuilding we would be using more machines than that. On the work we had done with regard to preparation at some time or other we probably have used around 100 to 125 machines.

*By Mr. McGeer:*

Q. One of the charges that is made against you is that you represented you had a going concern plant?—A. That was never represented or even suggested.

Q. Another representation, or another misrepresentation that you are charged with, is that you led, or tried to lead, the Department of National Defence and the British War Office into the belief that you were equipped

to produce Bren guns?—A. If I had even suggested that or tried to imply that to the engineers in the war office I would have been thrown out. Mr. McGeer, I was dealing with competent engineers who knew what they were talking about, not with theorists such as we have had here in the example of getting into production on these things in six months, which is the statement that was made the other day. The statement was made here the other day that you could get into production of these things in six months.

Q. Who made that statement?—A. It was read out of something that Colonel Drew read here the other day. It was said with this type of equipment we could be producing, I believe it was guns and arms, in six months' time. Now, I am a manufacturer and I know what I am talking about, and the only reason I got that business was that I went over there; I was absolutely frank; I knew what I was talking about; I said I could do it and I am doing it. They were not interested in what I had, what plant I had; they knew—as I say, they are engineers; they know a small arms plant. They also, as I say, have a whole building filled with industrial engineers whose business it is to explore industrial plants. They go through this plant and they say, this plant can do this. It might make part of this and it might make part of that; and they went over my blue prints and they went over my specifications and they told me that the John Inglis plant was suitable for making part of gun carriages and parts of tanks, and there were no "ifs" and suppositions about it. They knew it was not suitable and did not have the machinery for making small arms, as practically no plant in the world has unless it is a small arms plant, because the equipment for things such as tanks or gun carriages or many other things, the munitions-making plants take many machines that are used in ordinary commercial business. But in gun making, as most of the parts in a gun are irregular in shape, as you can well imagine, the bulk of the machinery for gun making is highly specialized machinery that is absolutely no use for commercial operations.

Q. When you came to sit down with the engineers at Enfield and the department officials here to make up the estimates on the cost of the guns— —A. Yes.

Q. —you had to consider as to what you had that was available in the plant?—A. That is correct.

Q. And the next thing you had to consider in detail was what would be required to set up the line of production?—A. That is correct.

Q. Now, did you sit down with engineers at Enfield where the contract was entered into and disclose exactly the machines that you thought were available and that they would consider as being available in the John Inglis plant?—A. Yes, all our lists, every estimate we made—

Q. I am talking about the detail of the estimates when you were getting down to setting up the line of production.—A. Yes; each estimate, Mr. McGeer, even the first estimate I made, which was then \$500,000 or £100,000 as a matter of fact, covered making the six major component parts and covered, I think, 305 machines instead of 550, and we sat down, we planned these things; we sat with the engineers and worked out them, operation by operation, machine by machine, and we concluded we could not use any of the John Inglis equipment for the production of machine guns except incidentally machines like the ones used for pattern making, woodworking and some few odd machines for tooling. But substantially we considered that we had practically no machines for the production of small arms.

Q. You have told us in the Enfield plant they had to set up a line of production in the same way?—A. Yes.

Mr. BROOKS: That is the point I was making a few moments ago what Major Hahn says now, the lack of machinery in his own plant.

Mr. McGEER: We are stating the facts just exactly as they are.

[Major J. E. Hahn.]

*By Mr. McGeer:*

Q. But the British war office knew before they ever entered into the contract what machinery you had?—A. Absolutely. They knew every machine we had.

Q. What do you say about your line of production and your schedule of production?—A. We have made very satisfactory progress. We are right on schedule and we will be very proud of the results I think we will achieve.

Mr. BROOKS: Without wishing to interrupt Mr. McGeer, may I say that we had a report from Major Hahn the other day. Nothing new has come out.

Mr. MACNEIL: I wonder if we could get an adjournment, Mr. Chairman, for a brief period, in order to enable us to go into the chamber?

Mr. GREEN: Oh, we had better finish up.

*By Mr. McGeer:*

Q. There has been a good deal said about the fact that you got this contract because you were pushed into the British war office by the Department of National Defence on a basis of being a preferred individual by that department and by General LaFleche. What have you to say as to that?—A. That is absolutely ridiculous, right from the evidence. I have told you before that I bought this plant and I went out to get business and I got it. Nobody pushed me. The only time I have ever been pushed is in this kind of thing that I have just been through, and we are not through yet.

Q. I want to get something from you about this. The trouble is the comments. If we could only get facts without comments we would probably get on better.—A. Yes.

Q. Will you give us a review of your actual negotiations with the British war office? Tell us what happened there?

Mr. GREEN: Mr. Chairman, that obviously means taking hours; and it is entirely out of line with the arrangement that was made this morning.

Mr. McGEER: It does not mean taking hours. He can do it all in a few minutes.

Mr. GREEN: It is just going over and over the same things.

Mr. McGEER: No. It was repeated as late in this inquiry as a few minutes ago.

Mr. MACINNIS: And we shall have to repeat it once again if you insist upon doing it.

Mr. McGEER: You put it in and you developed it.

Mr. MACINNIS: Yes; and we will do it again, if you insist.

Mr. McGEER: Are we going to go through this again? It cannot be answered.

Mr. MACINNIS: You say it cannot be answered. The answer has already been given by as competent a body as this committee; it has been given by the royal commission.

Mr. GREEN: I have no objection to Mr. McGeer going on once we have had our chance to cross-examine Major Hahn. We were assured this morning he was only going to take ten minutes—two or three questions; and now he starts a line of questioning which obviously runs over the whole three-year period and will take hours. That is not fair to us at all.

Mr. MACINNIS: The idea is to keep this thing going.

Mr. McGEER: It will not take more than a few minutes for him to give me the details.

Mr. GREEN: There was an arrangement made this morning which I think should be kept.



Mr. McGEER: If I agree to close off in five minutes, will you be satisfied? Then you can cross-examine on it to your heart's content.

Mr. GREEN: An agreement was made this morning, and it should be kept.

The CHAIRMAN: May I ask the hon. member if he agrees to close off in five minutes?

Mr. McGEER: Yes. I do not want anything more than a statement. Tell us exactly what it was, Major Hahn.

Mr. McPHEE: Do not limit yourself.

Mr. GREEN: Mr. McPhee says "Do not limit yourself." Is that the way to keep an agreement?

The CHAIRMAN: The hon. member has limited himself, Mr. Green; so I will see to it.

Mr. GREEN: You had better put a stop-watch on him.

The WITNESS: What is the question?

*By Mr. McGeer:*

Q. Tell us your negotiations disclosing that it was not the Canadian government that was pushing you into the British war office?—A. I will just touch the high spots. I had bought a plant. I went to Ottawa to look for business. I knew before I went to Ottawa the business was chiefly in England. I got a letter of introduction. I asked for it and I got it from Ottawa. I went to England. I saw Sir Thomas Inskip and saw Sir Harold Brown and told them both I was a contractor, that I was after any possible business in shells, tanks or airplanes, or the Bren gun. I asked to go through the Bren gun plant. When I asked Mr. Massey—when I gave him my letter of introduction, he asked me what I wanted at that plant—and this is something that I want to bring in that should have been brought in before. It did not occur to me until the other night. When I saw Mr. Massey, he asked me just what was the type of information I wanted; and I told him I wanted to get the cost and I also wanted the material. He suggested did I mean the alloys—he did not say the secret alloys. I said yes, everything I could get, secret alloys, materials, so that I could make complete specifications. Apparently that is what caused the confusion of having the war office ask for this special request for this special representative, because here was a contractor asking to go into their plant. I imagine any contractor could have got into their plant without any difficulty or without any further ado, if he simply wanted to go through the plant. But I wanted to do more than to go through the plant. I wanted the bill of specifications of materials and I also wanted their costs. So apparently there you get your Canadian representative. I waited there. I knew nothing about Canadian representative. I finally got permission to go through the plant. I went through the plant and I got the fullest assistance from the Enfield officials. I got all the data I wanted while I was there to enable me to bring back a cross-section of labour, man hours, overhead, materials and everything.

Q. What I want you to do is to tell me about your negotiations to make guns for the British war office here?—A. Before I left, after I was through the plant and got this information, I had some idea of the cost involved of the machinery and of the tooling. I went to Sir Harold Brown. I told him I was interested in the project, that I would like to get an order if they would place a secondary source in Canada. I was given to understand that a secondary source was under consideration with a plant in England. I made a request then and there if a secondary source would be considered, for the logical reason of being away from the possibility of attack, that I would ask if they would contribute to the very heavy capital cost involved. They told me it was not an unusual request and they would consider it. I asked if I could go back

[Major J. E. Hahn.]

to Canada and inform the Department of National Defence that they might be interested in a secondary source of supply in Canada and that they might place an order for 5,000 guns, which was the number for which I asked for our company. I was instructed to say that I could go to Canada and I could make that statement.

Q. What about financial assistance?—A. And with the financial assistance.

Q. Did they authorize you to say they would also consider financial assistance?—A. Yes, that they would consider it. It was all at the stage not that they would do it, but that they were quite prepared to consider it, to give financial assistance.

Q. When you went back to England what happened?—A. Then when I went back to England, they had been apparently waiting for further contact and had apparently further discussed the matter. Their interest seemed more definite and more specific, and to a point where the estimates that I had taken back to Canada on my first trip and had translated into Canadian costs were sent out to Enfield and thoroughly gone over by the Enfield officials, and finally reported on by the Enfield officials as satisfactory and sound.

Q. Did you know anything about the relationship between the British war ministry and the board of trade and the treasury board? Did you discuss that with Sir Harold Brown at all?—A. No. He intimated to me that the financial end—on account of the amount of money involved and particularly as the British cost in Canada would be higher than the Canadian cost—it would have to have very careful consideration by the Treasury Department; and an adjustment of cost was made by the adjustment of the ratio suggested in the capital expenditure. The original ratio suggested was five-twelfths of the machinery paid by Great Britain and seven-twelfths by Canada. The ultimate ratio was one-third by Great Britain and two-thirds by Canada; and Great Britain made a one-third contribution to the capital cost of the Canadian plant.

Q. In your discussions in England in May and June with Sir Harold Brown, what was the discussion with reference to giving you a contract for 5,000 guns?—A. It reached a point there where we sat down and discussed a draft contract that I presented to the war office, and that was gone over in detail by their contract department. The gist of it then was that they were satisfied—that the general terms were satisfactory. At that time they insisted that the incentive clause would have to go in, at least as far as their contract was concerned. That was standard practice with them in cost-plus contracts.

Q. What was said by Sir Harold Brown about your ability to produce guns here in the estimation of their people in England?—A. Well, he was apparently satisfied that I could do it, because he was willing to continue these negotiations.

Q. Did you have any discussion with him about that?—A. I understood from him that his Enfield officials seemed to think that I knew what I was doing, and he definitely had had a favourable report.

Q. That is, as to your ability to produce Bren guns in Canada?—A. Correct. As a matter of fact they made that report in my presence and I was very much embarrassed.

Q. Let us have that, that is what we want to know?—A. Well, we were sitting together there, I was with Sir Harold Brown when they came in; I offered to withdraw but he said no you might as well hear the good or bad news, and the head of the Enfield plant—

Q. Who was he?—A. Mr. Robinson, the head of the Enfield plant told Sir Harold Brown that he was very much impressed with the manner in which I had made my investigation at the Enfield plant, that I knew what I was talking about.

*By Mr. Green:*

Q. Major Hahn, Mr. McGeer asked you to outline in a few words just what your negotiations with the British had been?—A. Yes.

Q. You started off by saying that you had bought a plant?—A. Yes.

Q. Well, you know that all that happened was that Mr. Nurse who was a clerk in Plaxton's office had got an option on it?—A. Oh no, Mr. Green; why bring that up again? That was not my understanding of it at all, as I have said to you before, my understanding was that I had bought the plant and I would be called upon to complete the agreement.

Q. Well, it is just as well to get that thing straight, the plant was not finally bought until after the Bren gun contract was signed?—A. We made the purchase of that plant, the payments covering a period of time, and I understood that we were likely to be obliged to carry our agreement out which we did.

Q. Instead of paying \$250,000 for the plant it was \$100,000 in cash and a bonded indebtedness of \$150,000 taken over by the Inglis company, not taken over by you at all?—A. What is the difference how we take it.

Q. Oh, there is a lot of difference when you are making a statement about the purchase of a plant.—A. I understood that I had made a purchase of that plant. We made an agreement to purchase the plant on terms whereby I understood we had bought that plant.

Q. You are a qualified lawyer and you know what these things mean.—A. I know what you mean now.

Mr. MCPHEE: May I point out that on May 9th the same line of questioning took place, and this information is already on the record. What is the use of repeating it.

Mr. GREEN: Mr. McGeer has done that also.

Mr. MCGEER: I examined on entirely new material. You cannot re-examine this witness on the same material.

Mr. MCPHEE: On May 9th Mr. Green dealt with practically the same thing.

*By Mr. Green:*

Q. You said you had gone to England but you did not mention anything about the 'phone messages to the minister or the deputy minister?—A. I thought you just wanted the highlights, I did not want to go over all that again. I will give you any detail you like. I 'phoned the minister, yes.

Q. That was in order to enable you to get in touch with the war office?—A. That is right. I was sitting there for ten days not able to get in.

Q. You finally got a letter from the High Commissioner through the Prime Minister's cable appointing you Canadian representative about the Bren gun?—A. I didn't get a letter at all. All I got was, that an arrangement was made to interview Sir Thomas Inskip. That was the first thing I knew.

Q. You got the door opened to Sir Thomas Inskip's office through the assistance of the Prime Minister of Canada?—A. I did not know that at all. Let us settle this thing once and for all. I have told you, I had a letter from the minister. Now, Enfield is quite accessible to anybody who goes in there with an ordinary request. If I simply told Mr. Massey I just wanted to make a visit there to see their production methods that letter would have been sufficient because there is no objection to any authorized person for example going to our commercial plant who wants to see our production methods, but there is a very distinct objection if someone goes into my plant and says I not only want to see your production methods but I want to know your costs. Now that is I am sure what caused the special request to be made so that I had the cost and the alloys available to me.

[Major J. E. Hahn.]



Q. And you were only able to get all this information which was necessary by reason of your being appointed a government representative?—A. The evidence speaks for itself. I knew nothing about that.

Q. But you had Mr. Plaxton send a cable to the deputy minister?—A. But, Mr. Green, I knew nothing about being appointed a representative of the Canadian government, or I would have worn a fez or something of that kind while I was there.

Q. Did you know about this cable that will be found at page 23 of this report?

Mr. MCPHEE: What is that?

Mr. GREEN: It is a cable from Mr. Plaxton to the Minister of National Defence which reads:—

*Re* conversation with Hahn respectfully suggest question of policy not involved Stop Seems purely matter of High Commissioner requiring instructions from his department confirming Hahn's status as per your letter to High Commissioner Stop This urgently required Stop Cabled LaFlèche this morning in case you not in Ottawa.

*By Mr. Green:*

Q. You knew that cable had been sent?—A. Yes, I knew the cable from Plaxton had been sent.

Q. Then, I understood you to say in answer to Mr. McGeer that you never represented or even suggested that you could manufacture armaments?—A. Oh, no, I didn't say that.

Q. What did you say?—A. I said that I had never manufactured armament, but I said after I had been through the Enfield plant, I said very distinctly I thought I could make the Bren gun.

Q. You said that you had never represented or even suggested to either the Department of National Defence or the War Office that you could manufacture in your plant?—A. Oh, I did not. No. I did represent very distinctly that I had acquired a plant that had the machinery that had previously made while it was operating, had made shells and I believe also made aircraft.

Mr. MCPHEE: At page 513 of the evidence of May 9 the same question was asked by Mr. Green of Major Hahn and the same answer was given as now.

*By Mr. Green:*

Q. You say that you justified the letter from Mr. Plaxton to the Prime Minister which is on page 15 of the Commissioner's report which says: "A group of friends of mine in Toronto are equipped fully to manufacture munitions." Now, how do you justify that?—A. I think that statement is absolute accurate. What is the matter with it, Mr. Green? Here we are, we buy a plant, or have a purchase agreement to buy that plant, and the plant has the machinery in it that is capable, fully capable of manufacturing certain munitions without the addition of another machine.

Q. Your opinion of that letter is that it is absolutely accurate?—A. It is accurate to the extent that it represents what you read.

Q. "A group of friends of mine are equipped fully to manufacture munitions"?—A. To manufacture certain different types of munitions of war.

Q. Well, Plaxton stated "a group of friends of mine are equipped fully to manufacture munitions"; and you say to this committee that that is an accurate statement of fact?—A. As far as equipment is concerned.

Q. And then you also say, "are equipped fully to manufacture munitions"?—A. They did make munitions in that plant. We have the same machines and we have the same men available; and we had new money, what was there to prevent us from doing with that machinery what it had done before?

Q. But this letter says, "are equipped fully to manufacture munitions?"

Mr. BERCOVITCH: For the third time, he says it was.

Mr. GOLDING: And they did manufacture munitions.

Mr. GREEN: I admit it takes some explaining.

Mr. BERCOVITCH: It doesn't take much explaining, except to you.

The WITNESS: Let us get down to the level of where there is at least some semblance of balance and common sense; I mean, why suggest that these matters of munitions are—isn't it obvious that in a certain plant you can only make a certain thing, and in certain other plants you make certain other things; and certainly no plant can make all types of munitions.

*By Mr. Green:*

Q. Well, what do you mean by that letter?—A. I did not write the letter.

Q. You knew it was being written?—A. I did not know it was being written.

Q. Well then, what about the information contained in the letter of October 20th addressed by the Deputy Minister of National Defence to the Under-Secretary of State of External Affairs (that is on page 20 of the Davis report) which reads as follows:—

SIR,—I have the honour to refer to previous correspondence pertaining to the Bren light machine gun, following on which the Department of National Defence has been investigating the question of the manufacture of this gun in Canada. Major Hahn, D.S.O., M.C., a former officer of the Canadian Expeditionary Force, and representing a reliable group which controls certain manufacturing plants capable of manufacturing armament and munitions located in a large industrial centre where the labour and material factor is stable and favourable, has been in communication with the department.

That information must have come from somebody to the deputy minister?—A. We have a manufacturing plant. I see that we have used the word "plants" there and a great deal has been made of that fact. We have one of the largest factories or plants in Canada in which there are 17 buildings and I very often talk of them as different plants that we own.

Q. Was this representation made by yourself to the deputy minister that you controlled certain manufacturing plants capable of manufacturing armaments and munitions?—A. I made the statement that I controlled the plant of the John Inglis company, and that it was capable of manufacturing arms and munitions.

Q. Do you stand by that to-day, that that statement was accurate?—A. It is accurate in the light of all the other information I gave him at the same time; that it was a closed down plant and it had certain machinery and could make certain things; that I had the big majority of the key personnel available; I had certain of my own engineers available who had been with me for many years; that we had the money available to put things in motion and that we wanted munitions business.

Q. What do you mean by armaments and munitions? How do you distinguish them? What do you put in either group?—A. I do not know—armaments—munitions—whatever the plant could make. I had not even thought of the technical difference between armaments and munitions.

Q. Then, Major Hahn, you heard Colonel Drew read a letter from Colonel Vanier to Sir H. S. Batterbee, dated 6th November, 1936?—A. Yes.

Q. This information that Colonel Vanier gave to Sir H. S. Batterbee about yourself was furnished by whom?—A. It was furnished by me. There is no question about by whom it was furnished.

[Major J. E. Hahn.]

Q. Do you stand by the statement here dealing with the business which says under the heading of "Business approximate net worth: Recently acquired plant and equipment of John Inglis company, steel engineering, heavy-plate engineering, shell equipment, \$2,000,000"?—A. I want to say this: That exhibit was produced a couple of days before the inquiry closed. It affects the English situation entirely. The circumstances under which that information was given, and everything relating thereto, have never been discussed and evidence in connection with it has never been given. It is something that was not sent in by myself at all. As a matter of fact, there is an inaccuracy in the covering letter of that exhibit which I did not see and I did not know had been sent in until I saw it produced before the commission.

So I considered that the approximate net worth of our entire situation, after it would be set up and the company organized and the working capital put in, would be approximately \$2,000,000. And I discussed it with Colonel Vanier on that basis. I will go further than that. We went over the whole situation you have here. We went over the photographs, and I told him everything we were doing. It is obviously apparent why that letter of his was sent, as I specifically requested him to do what I myself do when anybody comes to see me that I have not met before. I request that. And you will find it on the bottom of that; that the proper inquiries be made in the usual way when anybody makes them who is making their own inquiries and references to get all the facts.

Q. You see, Major, this letter is dated the 6th of November, 1936?—A. Yes, I know.

Q. While you were in England?—A. That is right.

Q. There is a note attached which says:

The attached letter was sent to Sir Harry Batterbee by me in response to an inquiry for information concerning Major Hahn. I presume that the war office had asked Sir Harry Batterbee to obtain some information.

You gave Colonel Vanier information that recently acquired plant and equipment of John Inglis company—steel engineering, heavy-plate engineering, shell equipment, had an appropriate net worth of \$2,000,000, when actually at that time there had only been paid a few hundred dollars on the total purchase price of \$250,000 on the property?—A. Actually at that time, Mr. Green, as I say, we had committed ourselves for the purchase. We had committed ourselves, not definitely yet, but we knew we would be paying the necessary working capital to the extent of some hundreds of thousands of dollars, and we had in mind at that time—we had not time to go into detail and Colonel Vanier knew that; and I have some idea that that probably was sent, which I did not know until I saw it; I did not know he was going to send it, and I did not know it was for that purpose, and I have some idea it was probably sent with considerable telephone explanation, because we went over the plant and Colonel Vanier saw the pictures you saw here to-day of the closed-down plant, its condition and everything else. There was no idea of conveying to the war office that we had a plant for which we paid \$2,000,000, or anything else, because all the facts were disclosed to them by me. And, as I say, they got the Dun & Bradstreet report which was handed to them by me. They did not have to get it, it was there.

Q. The Dun & Bradstreet report was two years later?—A. But in the meantime we had to go to the bank.

Q. I do not doubt that you were putting your best foot forward when you went to England, but what about your statement that you made full disclosure to the war office considering your testimony a few minutes ago that you did not tell them anything about the price you paid for the plant?—A. I think if I could transfer your mentality to their frame of mind when I was there it



would perhaps clear up a good many things that you seem to regard so seriously. When I went there, Mr. Green, their only interest—they didn't care what I paid for that plant, they were not interested in it; all they were interested in was getting guns, getting someone that could make guns for them quickly and at a fair price. They hadn't the slightest interest in what that plant cost me or what I paid for it. I was not trying to sell them a plant, I was trying to get business to put into my plant. So might it not occur to you that they might not be interested in what I paid for the plant?

Q. Did you tell them anything about having only an option on the property?—A. No, because I did not consider it was an option.

Q. Did you tell them who your associates were?—A. I told them that I had associates; that the personnel of the old company, a great many of them, were available, and that I would have with me as my main operating personnel two engineers who had been with me for many years, and whom I considered two of the most competent production engineers in the country, Mr. Ainsworth and Mr. McLachlan.

Q. Did you tell them about your stockbroker and lawyer associates being the ones who were buying the business?—A. No, because why would they be interested, Mr. Green?

Q. Did you tell the Canadian Department of National Defence about that?—A. No, I am the controlling owner of that business. These other people put up their money to help me buy it and they have their interest in it, but I am operating it and running it, and I think the operating personnel of a company is what determines its success or failure.

Q. You had told General LaFlèche in October that you represented a reliable group?—A. Well, I am.

Mr. McPHEE: And he has proved it to be so.

*By Mr. Green:*

Q. You did not tell him the group were lawyers and stockbrokers?—A. What is a group generally made up of? Are they all manufacturers?

Mr. McPHEE: Are you discounting your profession, Mr. Green?

Mr. DUPUIS: My claim is that lawyers look pretty much like human beings.

Mr. GREEN: With regard to the question of fraud that was raised the other day, Mr. Stewart wants to ask you some questions.

*By Hon. Mr. Stewart:*

Q. Major Hahn, I believe you are a graduate of law school of Ontario, Osgoode Hall?—A. Yes, I took the summer course after I came back from overseas.

Q. When did you graduate?—A. I graduated in 1920 or 1921.

Q. Did you practise law?—A. No, I did not practise.

Q. What have you been doing since you graduated?—A. I have been in the manufacturing business.

Q. Apparently now that you have this investment in the company you have done better than if you had been practising law. Are you familiar with the case of Kysant reported in 1932 Law Reports 1, King's Bench?—A. No.

Q. Never read it?—A. No.

Q. Well, I suppose you have a good deal of respect, like the rest of us, for decisions of the Privy Council of England.—A. Colonel Drew has read it two or three times. He read it before the commissioner and the commissioner stopped him.

Q. You have not read it?—A. I have not read it, but I heard him read it.

Q. It has not created sufficient interest in your mind to read it?—A. I did not say that.

[Major J. E. Hahn.]

Q. You have not read it; that is all? Will you mind if I read it to you?

Mr. BERCOVITCH: Just a moment; the committee will mind.

Hon. Mr. STEWART: As a foundation for some questions which I propose to ask in connection with the circular that was issued for the sale of stock.

Mr. BERCOVITCH: Just allow me, please. My friend Mr. Stewart knows well that he has no right to read that before this committee. We are not here to decide questions of law at all; we are not judges; we are not competent to decide on questions of law. If there are any involved in the issue before the committee, they will have to be decided by the proper tribunal, if my hon. friend would like to take the case there. We are an investigating committee of the facts. In that our position is very much the same as that of a jury. We listen to the facts and his lordship on the bench directs the jury on the law. In this case we are not to be directed on the law; we are only to investigate the facts given to us from the written exhibits that are filed and from the mouths of the various witnesses who are called before us, and we have absolutely nothing to do with the law.

Suppose this is read into the record; what effect could it possibly have on our decision? None; absolutely none. We are not going to decide whether that law is right or wrong; we are not going to make the distinction that could be made in the Kysant case and many other cases; and in my humble opinion, Mr. Chairman, I submit very respectfully to you, sir, that we have no right to have law read into this record. Heaven knows we have enough to do with the facts without running into the realm of law. Once we get there we are going to run into so much that we will not get home for Christmas.

Hon. Mr. STEWART: Will you allow me to answer the argument of my learned friend on this point? I do not for one moment suggest that this committee should undertake to decide any legal question, and it is not for the purpose of asking this committee to arrive at any decision on a point of law that I am citing this case. The decision has been made, made by the highest court in the empire, and I just wanted to make the witness familiar with that decision and then, basing some questions upon that, as accepted law, ask him some questions on a circular issued in connection with proposed sale of stock, basing it upon that decision.

Mr. BERCOVITCH: That was tried even before the Royal Commission and the Royal Commission refused to permit it, and it was a quasi judicial body, but we are not even that.

Hon. Mr. STEWART: It was not before the commission.

Mr. FACTOR: Let us follow the judge.

Hon. Mr. STEWART: I do not think so. We have the report of the Royal Commission on everything else referred to us, and I do not know of anybody in the land who has wider powers than parliament or a committee of parliament.

Mr. BERCOVITCH: Its powers are restricted to the reference; you cannot go beyond that.

Hon. Mr. STEWART: The reference is the report.

Mr. BERCOVITCH: Very well, and the report that was submitted and the evidence that came before the commission and the report of the commission all form part of this record, and the ruling of the commissioner was to the effect that that was not to be put on the record. We cannot go beyond that.

Hon. Mr. STEWART: Just a minute. If my learned friend's argument is correct, we have travelled far outside of the narrow scope that he has assigned to the reference.

Mr. BERCOVITCH: I think we have.

Hon. Mr. STEWART: Travelled far outside of the narrow scope that he has assigned to this inquiry. We have travelled miles beyond any such limitation—

Mr. BERCOVITCH: I agree.

HON. Mr. STEWART: —that my learned friend proposes. We have brought an article in the newspapers, and we have brought everything else that could be thought of and gathered up over here and in Great Britain that relates to this matter. It is not for the purpose of asking this committee, as I have said, to decide a point of law or anything of that kind that I am citing this decision; but it does appear to me that when you want to ask the witness a question that you have a right to lay before him the basis of the law as it has been decided and assuming that to be the law, then follow up with your question, and that is what I propose to do.

Mr. BERCOVITCH: No.

Mr. GREEN: I should like to bring up another point on this question of order. When Colonel Drew was on the stand Mr. McGeer condemned him strongly for alleging fraud and Colonel Drew at that time pointed out what fraud was legally, which is a very material consideration. Some people have the idea that it is first cousin to murder, and Colonel Drew cited this case. He said, unfortunately he had not it with him. This is the case; it decided not disclosing certain facts had been held to be fraud and on that ground above I think in justice to Colonel Drew it should be permitted. I think Mr. Stewart should be permitted to put the decision, which is a very short one, on the record.

Mr. BERCOVITCH: No.

Mr. FACTOR: No.

Mr. GREEN: It says that where persons do not make certain disclosures of material facts they are guilty of fraud. If that was the case here, then Colonel Drew was justified in charging fraud.

Mr. BROOKS: May I just say a word? Mr. McGeer, when he came here the other morning, as you know, brought half the library here, books that had no connection at all with this matter. One was on "The Ramparts We Watch" and he quoted from that, and he quoted from nearly every other book except "Gone With The Wind." All we are asking here is to quote from a law book, and there is no difference between quoting from a law book and any other book as far as this matter is concerned. It is just setting the basis for argument the same as Mr. McGeer wanted to set the basis for his argument the other day in criticizing and questioning Colonel Drew. It is the same thing.

Mr. BERCOVITCH: Colonel Brooks knows very well—he is an exceedingly able lawyer and has an excellent reputation throughout Canada, although I had not the pleasure of meeting him until it was my privilege to become a member of this house—that the last words that he said before resuming his seat are absolutely correct. If this was an argument that was to be made there is absolutely no objection to citing as much law as you like. The law does not have to be proved; the law of this country does not have to be proved, at least. If we were alleging a foreign law, every lawyer around this table knows we would have to get foreign experts or experts on foreign law and they would come before this committee to answer questions. It then becomes a question of fact. But when we are citing the law of this land and the law of the realm, we are prepared to say the Kysant case, being a Privy Council case, is part of the law of this country. It is all right. If we were arguing the case we could read the law to the witness and then ask him a question on it. But I again submit, Mr. Chairman, it is absolutely illegal, it is irregular and the Royal Commission said it was irrelevant. Let us take this example for the purpose of illustrating what I say.

Suppose that decision is read to the witness and the witness says, I do not agree with it; I do not agree with the Privy Council. What have you got before the committee? Is there anything proven by that? Is that going to

[Major J. E. Hahn.]



tell us whether the contract for the manufacturing of the Bren gun was a good contract or a bad contract, or whether it was fraud or it was not fraud? We are here to find the facts of fraud.

Some Hon. MEMBERS: No.

Mr. BERCOVITCH: Yes. That is what we are here for. All matters of law may be used in argument. If you are going to listen to argument, Mr. Chairman, and I hope you won't because we have not got the time, that would be the proper time for my learned friend to cite the Kysant case or any other case. If he cannot find enough books in the library here he can probably get some books in the library in Montreal. But I submit this question is not relevant; it is not pertinent, and I submit respectfully that it should not be read.

Mr. DUPUIS: Before you decide I have a word to say about this question. It seems to me that if you, Mr. Chairman, allow this committee to embark upon the legal field, we will not finish this matter before September.

Mr. BERCOVITCH: I said that before.

Mr. DUPUIS: A decision of this committee, as far as a legal question is concerned, would be of no avail. After all, if you decide that, I have a question to put before this committee in connection with all the charges made by Colonel Drew against the Deputy Minister of National Defence. I think that he should promise to repeat all of what he said before this committee, where he had the protection of this parliament; he should repeat his accusations outside of parliament, if they are true. After all, if they are true, he should have the courage to repeat his accusations and his charges against the deputy minister outside of parliament. Then we will go before the proper body, which is a court of justice. Otherwise, any legal decision made by this committee is of no use.

Mr. McPHEE: My legal friends around the table—

Mr. GREEN: There are ten lawyers yet to speak.

Mr. McPHEE: Well, I am not as bad as my friend Mr. Stewart. The basis of the case that he purports to recite is fraud committed by non-disclosure of facts by the promoter of a company. In this case, the only evidence we have is the evidence of Major Hahn that all the facts were disclosed. All the facts were disclosed. He swears to that. What application can the case have to us here? None whatever.

The CHAIRMAN: Gentlemen a point of order has been raised by Mr. Bercovitch. I have listened with a great deal of interest and great attention to the submission made by six prominent counsel; and I am going to give a decision not based on anything they have said. I am going to give a decision so as to do what I believe the laws of this country were formulated and passed for.

Mr. McPHEE: Common sense, after all, Mr. Chairman.

The CHAIRMAN: And that is to protect the rights of the minority. I submit that around this table the minority is composed of my friend Mr. Marshall, my friend Mr. MacInnis, my friend Mr. MacNeil and the chair.

Mr. MacINNIS: Hear, hear.

The CHAIRMAN: We do not know anything about law. So I will maintain that the point of order is well taken, and I would suggest that Mr. Stewart put his question.

Mr. BROOKS: I do not think the gentlemen you mentioned will agree with you.

*By Hon. Mr. Stewart:*

Q. Let me follow another line. If I cannot follow this one, I will try another. I accept your ruling, Mr. Chairman.

The CHAIRMAN: I say, in all mercy "Do not follow that."

*By Hon. Mr. Stewart:*

Q. Major Hahn, you were very closely associated with Mr. Hugh Plaxton?—  
A. How do you mean?

Q. From the inception, were you not?—A. I would not say closely associated. He gave every assistance he could to what I was trying to do with a company that I was trying to revive in his riding.

Q. Would you not call that close association?—A. He was very helpful and gave me every assistance that he could.

Q. Just answer that question. Would you not call that close association? If you and I gave each other every assistance that we possibly could to accomplish something, would you not say that we were closely associated?—A. No, I do not agree with that.

Q. Well, now, common sense will tell you that.—A. I want to answer your question fairly, and I am sure you are trying to be fair in asking me the question. Mr. Plaxton had very little to do with the entire situation after the English trip. From then on, all my negotiations I carried on pretty well by myself, and he had very little to do with the situation after that. So I could not consider at all that he was closely associated in this situation.

Q. When did you and Mr. Hugh Plaxton, M.P., come together and work together in connection with this problem?—A. We did not come together and we did not work together.

Q. Well, have you been working separately or at cross-purposes?—A. If you would like me to, I will tell you all there is to it. I knew Mr. Plaxton. I had met him and I had met his brother at the yacht club from time to time. I did not know him very well. His brother was acting for Cameron, Pointon and Merritt apparently for a period of years before I met him; and it was his brother that suggested that Cameron Pointon and Merritt were interested in the possibility—

Q. Yes, we had all that.—A. You heard all that; right. Well, Mr. Hugh Plaxton and I never came together in this thing at all. I met him occasionally; and whenever I wanted his assistance I asked for it.

Q. Do you know how Mr. Hugh Plaxton, M.P., came to write the letter of August 24, exhibit 336, to the Prime Minister of Canada?—A. I do not remember very clearly, Mr. Stewart. I imagine that I asked either his brother or himself. To-day I do not know which. I may have asked either regarding—

Q. Yes, but—

Mr. BERCOVITCH: Let him get through with his answer.

Hon. Mr. STEWART: Quite.

The WITNESS: —regarding the technicalities, if any, involved in manufacturing munitions in Canada for export. I had in mind the English business; and I did not know whether there was any prohibition against a Canadian company making munitions in a Canadian plant and shipping them to England.

*By Hon. Mr. Stewart:*

Q. So you must have discussed this proposition either with Hugh Plaxton, M.P., or with his brother?—A. That is correct.

Q. And they were closely associated with you; Mr. Hugh Plaxton, his brother and yourself were working together?—A. No. I said before—

An Hon. MEMBER: He said "no."

Hon. Mr. STEWART: Well, please let the witness answer.

*By Hon. Mr. Stewart:*

Q. They either were working together or they were working at cross-purposes?—A. No, not at all. I may be doing most of the work and occasionally make a request for something to be done.

[Major J. E. Hahn.]

Q. Whatever part either one of you took, it was understood and known and appreciated by the others?—A. No, not at all.

Q. Not at all? You were all working on different accounts—each on his own?—A. No, not on different accounts at all.

Q. Well, all right.—A. I was the prime mover in this thing from start to finish, and I did almost all the negotiating.

Mr. BOTHWELL: Client and solicitor are not what you call closely associated.

Hon. Mr. STEWART: I would have thought that they were closely associated in connection with a case that was going on in a court of law. I cannot think of any closer association that exists than that of client and solicitor.

Mr. McGEER: There were no proceedings in court here.

Hon. Mr. STEWART: No. I am adopting the word that he used—"client and solicitor"; that is all. I do not want to be diverted too much.

The CHAIRMAN: Go ahead.

*By Hon. Mr. Stewart:*

Q. This letter came down, exhibit 336, which reads:

My dear PRIME MINISTER:—

Mr. DUPUIS: We have had that already.

Hon. Mr. STEWART: Yes; we have had everything a dozen times over.

Mr. McDONALD: Twenty-five times.

Hon. Mr. STEWART: This letter which is dated August 24th, 1936, reads:—

My dear PRIME MINISTER:—

A group of friends of mine in Toronto are equipped fully to manufacture munitions. Their plant is located in my constituency. They have asked me to ascertain whether or not the government's policy permits of the obtaining of orders from the British government. I shall appreciate greatly receiving your advice in this regard.

I am returning home Wednesday of this week and my Toronto address is 320 Bay Street.

With kindest personal regards,

Yours very truly

And it is addressed to Right Hon. W. L. Mackenzie King, Prime Minister of Canada, Ottawa.

*By Hon. Mr. Stewart:*

Q. You knew that that letter was being sent and approved of it?—A. I do not know, Mr. Stewart. If I did know, I would tell you. I know I raised the question, as I told you before, with either Mr. Hugh Plaxton or Mr. Bert Plaxton.

Q. The letter obviously has reference to your group?—A. That is correct.

Q. And Mr. Plaxton surely would not send a letter of this kind without your knowledge or approval?—A. No, I would not say that. I asked him to get the information and he got it in his own way. I actually do not think I knew that letter was being written to the Prime Minister.

Q. You might not have known of the actual writing of the letter but you knew he was to get this information for you?—A. I have said that several times.

Mr. DUPUIS: I would ask, Mr. Chairman, if Mr. Stewart had a chance of getting a manufacturing plant started up in his riding if he would not have written his former leader, Mr. Bennett, had such a situation developed during the period from 1930 to 1935.

Hon. Mr. STEWART: That has nothing to do with it at all.

The ACTING CHAIRMAN: Just let Mr. Stewart go ahead.



*By Hon. Mr. Stewart:*

Q. When did you acquire this plant?—A. I agreed to go into the thing—

Q. No, no; just answer the question, when did you acquire this plant?—A. We made the purchase in I think October—in August, as far as I knew, we had committed ourselves to make the purchase, and I told the Plaxtons to go ahead and clear up the legal details.

*By Mr. McGeer:*

Q. When?—A. In August.

Q. In August of 1936?—A. Yes.

*By Hon. Mr. Stewart:*

Q. What did you have by way of a plant in August of 1936?—A. I understood that we were buying the plant, that the minute we put up our money—we had agreed to pay so much for it, and that we were buying it and paying for it over a period of time.

Q. From whom were you buying it?—A. Mr. Stewart, I would sooner you would ask the Plaxtons.

Q. You are a lawyer yourself?—A. I am not a lawyer, or I would be in law.

Q. Oh, yes, you are?—A. Don't tell me I'm a lawyer.

Q. It doesn't require legal knowledge at all; I asked you, from whom were you purchasing the plant, and that does not require law?—A. I presume from the bondholders.

Q. Were you purchasing it from Nurse?—A. I do not know, Mr. Stewart; look, I want to be fair, and I ask you to be fair to me. As to my legal knowledge, when I came back from overseas I was allowed my first year, and then I took my second year work, and as Mr. Green knows, I went through in twelve months; and the reason I did not become a lawyer was because I knew just enough about the law that I didn't go into it.

Q. And I think if you had never seen a law book you ought to be able to tell us here from whom you purchased this plant?—A. Again, Mr. Stewart, I may tell you that the technicalities of the law are something that I am not at all familiar with.

Q. It is not a technicality; from what person, company, corporation or association were you purchasing this plant?—A. Mr. Stewart, you want the facts, don't you?

Q. I just want that made plain?—A. You want accurate facts, I am quite willing to give you an answer about anything where I know definitely and positively what I am talking about. I cannot answer this question, because I am not sure about it. If you want to cover the facts as to the actual details of when it was bought and what was paid for it and that sort of thing, I would ask you to call the Plaxtons and get the facts right.

Hon. Mr. STEWART: I think you could tell us that.

Mr. BERCOVITCH: In other words, it involves legal formalities and technicalities with which you are not familiar.

The WITNESS: Yes.

*By Hon. Mr. Stewart:*

Q. Do you know from whom you purchased it?—A. I know that I agreed—and I will tell you anything I know.

Q. All right, and all you know is all we want.—A. I do not think there is any inference that I am not telling you all I know. I have had plenty of that all through this investigation.

Hon. Mr. STEWART: You have had very little of it, sir.

[Major J. E. Hahn.]

Mr. McGEER: You knew that this plant was in the hands of the receiver, and that the Premier Trust Company was the trustee.

Hon. Mr. STEWART: Now, Mr. Chairman, we don't want answers from any member of the committee, we want answers from the witness.

The WITNESS: I knew I was willing to purchase the plant for \$250,000. I knew it was available for that. I said in August of 1936 that I was going to make that purchase and that I was willing to put up my share of it and I asked the Plaxton company to go ahead and work out the legal details that were involved in the situation, and that was done.

*By Hon. Mr. Stewart:*

Q. Is this statement in your opinion accurate? I suppose the group of friends that is referred to is yourself and your associates?—A. Again, Mr. Plaxton wrote that letter.

Q. I know, you know to whom Mr. Plaxton was referring when he said, "a group of friends of mine in Toronto are equipped fully to manufacture munitions"; who was that group?—A. I would assume he would be referring to the original group.

Q. Who else could he be referring to?—A. I presume the one to answer that would be Mr. Plaxton who wrote the letter.

Q. Who else would he be referring to?

Mr. DUPUIS: I do not think it is fair for Mr. Stewart to ask that question, this witness did not write the letter.

Hon. Mr. STEWART: This witness understands what I want.

Mr. DUPUIS: He did not write the letter and I object to this question being put.

The WITNESS: I did not write that letter.

*By Hon. Mr. Stewart:*

Q. But you knew it was being written; why can't you frankly admit he referred to your group?—A. I say I presume he did.

Q. You don't need to presume, you know he did?—A. I say presume, because—

Q. Who else could he be referring to?—A. I don't know.

Q. Can you suggest any other person, or any other group to whom he could be referring?—A. I tell you, Mr. Stewart, I presume it is my group he referred to; he wrote the letter, and he is the one who should be able to inform you as to what was in his mind when he wrote it.

Mr. STEWART: I think you could have said definitely, in fact, I think you have said definitely that he was referring to your group.

Mr. McGEER: There is no dispute about the facts.

Hon. Mr. STEWART: Why does not the witness agree?

Mr. McGEER: He has gone as far as he truthfully can go with you on that.

Hon. Mr. STEWART: He knows who it referred to, and you know it too.

Mr. McGEER: He says he presumes it was so.

Hon. Mr. STEWART: And you know it was.

Mr. McGEER: Oh, you know a lot. You would not suggest that a man who did not write the letter would know what was in the mind of the person who wrote it, would you?

*By Hon. Mr. Stewart:*

Q. What equipment had you in this plant for the manufacture of munitions?—A. What time was that?

Q. That was August 24th, 1936?—A. That would be sometime after we decided to go ahead and make that purchase.

Q. When did you get the transfer of the property?—A. I imagine at the end of the time that we had paid the purchase price.

Q. When was that?—A. That would be in I think it is April of 1938.

Q. April of 1938?—A. Yes.

Q. And it was several months after that before you had control of the property—

Mr. McGEER: Oh, no, no, no; don't you state facts, you can't state facts like that and you know better than that.

The WITNESS: Mr. Stewart, when I buy something, when I undertake to buy something, when I start paying for it it is mine.

Hon. Mr. STEWART: You seem to be very wrathful to-day, Mr. McGeer.

Mr. McGEER: No, no; I am amazed at your type of examination.

Hon. Mr. STEWART: Your indignation would almost appear to be righteous; I don't think it is though.

Mr. McGEER: There is no reason why it should not be.

Hon. Mr. STEWART: It is rather late now for you to develop righteous indignation in this committee.

*By Hon. Mr. Stewart:*

Q. And now, Major Hahn, to get back to this, you were actually in legal ownership or possession of this property in August of 1936?—A. This group in which we are interested—

Q. When did your group become the owners?—A. We understood that the deal would be consummated upon the completion of the legalities and upon the payment of the money that was settled on at that time.

Q. How long did it take to complete these formalities and legalities?—A. We bought it and put up our payments between I think it was October of 1936 and April of 1938.

Q. And when were the payments made?—A. They were made all during that period at different intervals.

Q. When was the first payment made?—A. The first payment was made, I imagine, in September or October, 1936. I am not sure.

Mr. McPHEE: Mr. Chairman, I do not want to object, but on page 502 of the evidence, Mr. Green examined Major Hahn on the very same subject matter. I am not going to say here that my learned friend, Mr. Stewart, can improve on what Mr. Green did, but the same questions are here and the same answers are given.

Hon. Mr. STEWART: And I suppose we have had questions and answers time and time again repeated here.

Mr. McPHEE: But with regard to the purchase of the property it is shown at page 502 of the evidence.

Mr. McGEER: Mr. Chairman, I rise to a point of order here. My reason for doing it is this: On two different occasions I have suggested to the committee that it has a duty to perform. There have been suggestions that the evidence is not in. Now, surely, Mr. Chairman, the well-known practice and procedure in committee should be followed that no unnecessary repetition of evidence should be allowed.

If Mr. Stewart is going to pursue this kind of an examination I submit that the ruling should be made on the ground that there is apparently a deliberate attempt being made to prevent the committee getting to the point of dealing

[Major J. E. Hahn.]



with the evidence it has before it. I, speaking for myself, think and repeat that it would be extremely unfortunate if this committee should not be able to deal with the evidence it has before it in the way of an interim report.

I am satisfied in my own mind that there are a great many things with which we can deal, and that speaking, I know on behalf of the government members of the committee, we want to cease on this repetition of evidence and get down and make our report so that the public will know what this committee thinks of the evidence it has before us.

I for one feel now that it is more than obvious that with this kind of an examination, there is a deliberate attempt to talk this committee out and prevent it from making the finding honourable gentlemen know perfectly well the majority of the committee would make.

There is absolutely no justification for the writing of that article of George Drew—

Mr. MACNEIL: Just a moment. This is on a point of order. He rose on a point of order.

Mr. McGEER: I am stating my reasons for believing why we should find that and why you should rule on this point of order.

Hon. Mr. STEWART: This is the same thing that has been brought on on the part of this gentleman for days, and now he questions people wanting to get to a finality after spending days himself doing the same thing.

Mr. McGEER: I make the charge and I say you are deliberately frustrating this committee from making its report.

Hon. Mr. STEWART: I say that is irregular. He is questioning motives, and you cannot in the House of Commons or any other place question the motives of a member, and I have just as much right to exercise my privilege as the honourable gentleman has and I propose to exercise it.

Mr. McGEER: We quit hours ago.

The CHAIRMAN: Order, gentlemen. Can we not continue without honourable members of this committee questioning each other's rights to what they say?

Hon. Mr. STEWART: I would think so.

The CHAIRMAN: We obviously have but a short time to conclude whatever deliberations the committee intends concluding before the house prorogues. I quite appreciate the point of order of the honourable member for Vancouver Burrard, but I am confronted with the fact that we have permitted, or I have permitted, rightly or wrongly, a wide deviation and much repetition in order if possible to permit every member of this committee without restraint to follow the dictates of his own mind and his own conscience as to what he wanted to put on the record. But I am quite sure that the honourable Mr. Stewart will appreciate this fact and co-operate to the fullest extent.

Hon. Mr. STEWART: Surely I will.

The CHAIRMAN: To complete the record as far as he is concerned and to conclude with this witness as soon as he possibly can.

Mr. DUPUIS: Before Mr. Stewart proceeds, I should like to put on the record a definition of a contract of sale, as I understand it as a humble member of parliament.

Hon. Mr. STEWART: We are getting some law, Mr. Chairman, which we could not get out a law book a little while ago.

Mr. DUPUIS: If my good friends will allow me I shall not be long. Without pretending to be a prophet, I know where Mr. Stewart wants to go. He wants to prove that when the letter was written by Mr. Hugh Plaxton Major Hahn was not the owner of the property. I want to say that a contract of sale means a person, named the "seller," who has the power to sell, and a person named the

"purchaser," who has the power to buy. And they join with consent for the disposition of the transfer of property. In the case under discussion there was a party who had the right to buy and there was another party who had the right to sell and they both consented at the very first and there remained only the details of the conditions to be discussed in the days or months to follow.

Mr. McGEER: It is more than that. The evidence clearly before us, Mr. Chairman, was that Cameron and Plaxton had made an arrangement which they presented to Hahn. Hahn said, "All right, I will go ahead with it," and it was they who completed it. What Mr. Stewart is examining Hahn on is the deal that was arranged between the first company and Cameron and Plaxton. Hahn has told us right along that they had this arrangement; "They asked me if I would go in; they told me the terms," and he said, "I will accept." Then he said, "They went ahead and completed the deal and as far as I was concerned it was closed in August, 1936."

The CHAIRMAN: I am quite sure, Mr. Stewart, that with the assistance you have now received you will be able to complete your examination.

Mr. GOLDING: Mr. Chairman, there is more than that. This witness was examined on that point and was discharged. This witness was examined thoroughly on these points and was discharged.

Mr. GREEN: Who brought him back?

Mr. McGEER: I brought him back to prove a letter from the war office, and he proved that he had given certain matters, and I gave you notice before I called him back why I was going to put him on the stand.

Mr. BROOKS: And you questioned him on a dozen different questions.

The CHAIRMAN: Permit the honourable gentleman to proceed with his examination, please.

*By Hon. Mr. Stewart:*

Q. Major Hahn, when was the contract with the Canadian government signed?—A. March 31, 1938.

Mr. DUPUIS: And when did both parties agree to buy and sell?

Hon. Mr. STEWART: He referred to his lawyer. He does not know.

Mr. McGEER: Oh, yes, he said August, 1936.

The CHAIRMAN: May I ask the co-operation of the members of this committee to permit Mr. Stewart to go ahead and question this witness?

Mr. McGEER: Are you going to rule that this repetition is going to go on until next year?

The CHAIRMAN: No, I am not going to rule that at all.

Mr. McGEER: I rise to a point of order, Mr. Chairman, and I suggest that when a witness has been examined on a subject, as my colleague, Mr. McPhee, points out, the record of which is here and shows that it was gone over, are we going over it again? If you are going to allow that kind of an examination we might have to re-examine on it again.

The CHAIRMAN: The difficulty of the position, I might point out to the honourable member for Vancouver-Burrard, is that I permitted the same privilege time and time again.

Mr. McGEER: What I am suggesting is that now that you have done it the time has come—

Some hon. MEMBERS: Oh, oh.

Mr. McGEER: I think you have treated everybody alike, so if you lay down a new rule now which will be right and proper nobody is going to be hurt.

[Major J. E. Hahn.]

The CHAIRMAN: All right, I will lay down the rule right now which will be right and proper that as soon as the present member finishes his examination of this witness not one more word that has been uttered before at this table will be permitted.

Mr. McGEER: Cheers; and with a notice to him that he cannot go too far.

The CHAIRMAN: Order. Go ahead, Mr. Stewart, and examine this witness.

*By Hon. Mr. Stewart:*

Q. Major Hahn, we will try another subject and see if we have any better success. I suppose you will agree, Major Hahn, that a letter or a prospectus may be deceptive not only because of what it contains but because of what it omits?—A. I assume again—I assume that might be so.

Q. Yes, we are agreed.—A. Well, we will agree on that.

Q. And I suppose you will agree that there is no more dangerous statement than one that is half true?—A. We have had quite an example of that for the last year.

Q. All I want now is for you to admit that is so. I would not think there was any doubt about it?—A. No, I have heard a lot of them.

Q. Are you familiar with this circular, exhibit No. 318, issued by Kippen & Company, Inc., Investment Securities, 264 Hospital street, Montreal?—A. No, I do not think I am, any more than seeing it in evidence before the commission.

Q. I was not here when you gave evidence or when you were before the commission. Did you on either occasion make the statement that you were familiar with the circular about the time or before it was issued?—A. I was familiar with the circular. I saw a circular that was issued by Cameron, Pointon & Merritt, if that is what you refer to.

Q. I am referring to Kippen, Inc., Investment Securities, 264 Hospital street, Montreal?—A. No.

Q. Did you never see that one?—A. I saw it when it was presented at the investigation.

*By Mr. McGeer:*

Q. At the Davis inquiry?—A. Yes.

*By Hon. Mr. Stewart:*

Q. Is that the first time you saw it?—A. Yes.

Q. You never saw it before?—A. No.

Q. Did you see one something like this issued by the Toronto Stock Brokers firm—

Mr. McGEER: Why not ask him if he saw one issued what do you mean by something like this?

Hon. Mr. STEWART: I mean a circular of the same character.

Mr. McGEER: Give it to him and let him read it.

The WITNESS: I have not seen this since the investigation.

Hon. Mr. STEWART: This is exhibit No. 318. It is there. I prefer to keep my copy here.

The CHAIRMAN: You do not think anybody wants your copy, Mr. Stewart, do you?

Mr. McGEER: You have not been inoculated with this virus of suspicion to this extent, have you?

Hon. Mr. STEWART: I am not suspicious even of my hon. friend.

The WITNESS: I have this one here—the Kippen.



*By Hon. Mr. Stewart:*

Q. Yes, that is No. 318?—A. Yes.

Q. Do you know how that came to be issued?—A. No, I do not.

Q. You know nothing about it at all?—A. No, I do not.

Q. It was in connection with the sale of stock of the John Inglis Co., Limited, was it not?—A. No, the John Inglis Co., Limited did not sell any stock; it had no stock to sell.

Mr. McGEER: It was Cameron, Pointon & Merritt who were selling the shares they had subscribed for. His control or interest in the company did not have anything to do with that.

Hon. Mr. STEWART: This is a cross-examination.

*By Hon. Mr. Stewart:*

Q. Let me ask you, Major Hahn, do you know about the date of this circular issued in Toronto, or this one issued in Montreal—about what date it was?—A. I know nothing about the one that was issued in Montreal. I did see a circular of Cameron, Pointon & Merritt, in Toronto.

Q. When was that issued?—A. From the evidence, apparently it was issued about the middle of August.

*By Mr. McGeer:*

Q. Of what year?—A. 1938. I just casually went through it.

Q. You say you saw it—somebody gave it to you?—A. It was on his desk and he showed it to me.

Q. You would not read what was on a man's desk, would you?—A. He showed it to me.

Q. That is the whole thing. He gave it to you—he showed it to you?—A. Yes.

Q. And you read it?—A. I glanced through it. I was not very interested in it.

Q. Why would you not be interested in the sale of John Inglis Co., Limited stock at that time?—A. Because I was there at that time to suggest that they not sell any stock.

Q. Did you write any letter or ask them not to sell any stock?—A. Very much so.

Q. When did you write a letter?—A. I did not write the letter, I asked them not to sell any more.

Q. When did you make that request?—A. At that time. That was what I went there for. I knew nothing about the circular.

*By Mr. McGeer:*

Q. Did you object to the circular being issued?—A. Not in that sense. I went there specifically among other things to suggest that they not sell any stock, so when I saw this thing, it was handed to me, I was not interested. I glanced at it, but I had no interest in the circular.

Q. There is no connection, that this was not selling John Inglis company stock; this stock had already been subscribed at the rate of \$6 a share and issued. This was vendor stock for which Cameron, Pointon & Merritt had subscribed, and had issued after paying the company \$6 a share. It was an underwriting and a re-sale of stock and was not a sale of the company's stock by the company, but a sale of stock which the underwriters had subscribed for, and had issued to them and for which they paid. Those are the facts in the record.

Hon. Mr. STEWART: Let the witness state that is the fact.

Mr. McGEER: That is all in the office of the securities commissioner and was considered by him when he authorized and restricted the price in the re-sale that

[Major J. E. Hahn.]

Cameron, Pointon & Merritt were carrying on. That is why I wanted to bring to the attention of my friend that it was not a company stock that was being sold—it was company stock that had been issued on subscription for which the company had been paid and it was a re-sale of that stock.

*By Hon. Mr. Stewart:*

Q. Is that the fact?—A. That is correct.

Q. This circular was issued in connection—I read from the first paragraph.

The property includes several large buildings which are fully equipped for the manufacture of diversified lines of special, precision steel and iron products.

Is that strictly correct?—A. What are you reading from?

Q. The same circular of Kippen & Company.

Mr. McGEER: May I make a slight correction in my last statement. The stock that I referred to a few moments ago was all treasury stock. The vendors stock, with the exception of 7,500 shares which were hypothecated to the bank, were held in escrow in the Bank of Montreal for release on the authority of the Securities Commission.

Hon. Mr. STEWART: We have heard Major Hahn's statement about that and he was of the opinion that they were free to sell that stock.

*By Mr. McGeer:*

Q. You never said you were free to sell without the consent of the Ontario Securities Commission?—A. That stock is subject to the Securities Commission.

*By Hon. Mr. Stewart:*

Q. You contended you had the right to sell the vendors stock?—A. If and when it is released, but it is subject to the Securities Commission.

Q. That has all been argued up and down.

Mr. McGEER: Subject to the control.

*By Hon. Mr. Stewart:*

Q. Is that statement I just read to you correct?—A. "The property includes several large buildings which are fully equipped for the manufacture of diversified lines of special precision steel and iron products." Is this the same as the Cameron circular, or is it different?

Q. I do not know, but I am asking you about the statement in this circular.

Mr. McGEER: What circular?

Hon. Mr. STEWART: Exhibit 318.

Mr. McPHEE: The witness says he knows nothing about it.

Hon. Mr. STEWART: He does not. He told us he saw it at the investigation.

Mr. McGEER: He says he has not seen it since.

Hon. Mr. STEWART: He did not.

The WITNESS: That statement is correct, yes.

*By Hon. Mr. Stewart:*

Q. Then you were equipped for the manufacture of diversified lines of special precision steel? Is that absolutely correct?—A. Well, yes, to the extent of—you see, this precision steel, Mr. Stewart—

Q. Is a wide term, we will agree.—A. Is a wide term, and it has been played up for the last year. There is no such thing as precision steel. You work steel for certain tolerances.

Q. Was this a plant that was ever engaged in the manufacture of precision steel?—A. Oh yes. Well, they made marine engines there and pumps and things that go to about, I would say—

Q. You would think of that as precision steel?—A. Yes, marine engines—

Q. Come within that description?—A. Yes.

Mr. McGEER: Turbines?

The WITNESS: Yes, that is all precision work.

*By Hon. Mr. Stewart:*

Q. Then we will turn to page 2. Have you it before you? This is what it says:—

The present contract calls for the manufacture of 7,000 Bren guns for the dominion government and 5,000 Bren guns for the British government. It is a provision of the contract that the plant must be equipped for making Enfield rifles, pistols and other small arms. These Bren gun contracts are based on cost plus 10 per cent. Cost includes all costs necessarily incurred under the contracts, such as salaries, wages, royalties, depreciation, taxes, engineering, maintenance, repairs, etc. It is anticipated that a considerable portion of the necessary tooling will be handled by the company in its own machine shop. The company has a licence to manufacture the Bren gun for a period of ten years, renewable thereafter on the consent of the British and Canadian governments.

Is that the whole story? Or is it only part?—A. What do you mean "only part"?

Q. Is it the whole story?—A. Just what do you mean?

Q. Does it give you all the facts that should be given in a circular of this kind?—A. I do not know what should be given in a circular of this kind.

Q. All right. I will pass along. Is there any inaccuracy in it?

Mr. MCPHEE: Mr. Chairman, I hate to interrupt my friend, for whom I have a great deal of respect and admiration—

Hon. Mr. STEWART: I will sit down now.

Mr. MCPHEE: The Crippen case, as I remember it, was a murder case in which the accused—

Hon. Mr. STEWART: No one is going to be murdered here.

Mr. MCPHEE: —cut a person up and put the pieces in a box and afterwards burned the box. In this case some other Crippen is being investigated, some Crippen company in Montreal. This witness swears he knows nothing whatever about this Crippen article.

Hon. Mr. STEWART: That Crippen was hanged, you know. I would not want to be as severe with anybody as that.

*By Hon. Mr. Stewart:*

Q. Let us go to the next clause. "Capital issue and finances." I should like to have special attention given to this. There is no law and no murder involved in this.

The business and assets of the company represents a cost to it of \$1,490,630, represented by the payment of \$100,058 in cash, the giving of a first mortgage of \$150,000 principal amount, covered by issue of 6 per cent bonds and by the issue of 191,662 shares of common stock at the price of \$6 per share. A further block of 58,333 treasury shares has been firmly underwritten at the par value of \$6 per share to provide the working and other cash capital required to carry on its operation.

(Mr. Malcolm McLean took the Chair at this stage.)

[Major J. E. Hahn.]



You think that is an accurate statement in accordance with all the facts?

—A. I heard this paragraph discussed by lawyers who say it is.

Q. It is not the law that I am talking about.—A. There are certain—

Q. "The business and assets of the company represents a cost to it of \$1,400,030 . . ."—A. Again bearing in mind, Mr. Stewart, that I have no interest in this circular and had nothing to do with it, in examining the circular I think you should examine people responsible for it. My knowledge of this, therefore, is only casual, and I have heard this point raised and I was given to understand that there is nothing the matter with the statement that the mechanics of transfer and what is involved as said there is correct.

Q. What were the assets of the company which represented a cost to it of \$1,400,030?—A. I understand that by the way a company was set up, based on its assets and the transfer that was performed, again according to the discussion I have heard on that statement, I understand it is correct, although as I say, I prefer that you examine the people who know about it.

Q. I notice the word "cost" is used, not "value."—A. And I again—

Q. Do you think that there is a difference between cost and value?—A. Mr. Stewart, please do not examine me on this because—

Q. Now, now.—A. I am not given to side-stepping anything or running away from anything.

Q. You know the difference between cost and value as an expert businessman?—A. I am not sufficiently conversant with the legal mechanics and the way stock is transferred in company set-ups to discuss this very intelligently at all.

Q. That is the best answer you can give?—A. That is the truthful answer.

Mr. McGEER: However, as you know perfectly well, in law when a company issues stock at the par value of \$6 and issues 191,000 of its shares all at par value in assets, that the cost to the company is properly stated in the records when it is so stated. What you are trying—

Hon. Mr. STEWART: I cannot agree with my learned friend again at all. This would convey an entirely different meaning to the man on the street.

Mr. McGEER: Oh, no.

Hon. Mr. STEWART: It must, because Major Hahn says he does not quite understand—

The WITNESS: I have not tried—

Mr. McGEER: Could there be any possible objection to this: suppose instead of incorporating a new company, that this company had bought the assets of the old company by purchasing the shares for \$250,000. Would not the cost of these assets of the company have been properly stated at the book values that were in the company at the time they took over?

Hon. Mr. STEWART: Not at all. I would not catch any such interpretation in a statement such as this.

Mr. McGEER: I think you would under any other circumstances but the present.

*By Hon. Mr. Stewart:*

Q. What were the business and assets of the company representing a cost to it of \$1,400,000? Would not that convey an entirely different meaning from that which is contended by Mr. McGeer?

Mr. McGEER: That statement is altogether correct; the evidence shows it is correct.

Hon. Mr. STEWART: That is a matter of law. I am trying to get the interpretation of the person on the street, of a person not familiar with law.

Mr. McGEER: You cannot get that from this witness; he is not an expert on what people on the street think.

[Major J. E. Hahn.]

Hon. Mr. STEWART: He says not.

The ACTING CHAIRMAN: Gentlemen, I think we can let this go. The witness has answered. Mr. Stewart might proceed to something else.

Hon. Mr. STEWART: That was about all I wanted to take up with him.

Mr. McGEER: There is just one question that I have.

Hon. Mr. STEWART: Just wait until I look through this brief of mine. You can see how extensive it is.

*By Mr. McGeer:*

Q. There is just one thing I wish to deal with in connection with this precision steel. I draw your attention to exhibit 159 in which is listed what was manufactured in this John Inglis plant, Toronto, Ontario. The list is as follows:—

Boilers of all sizes for both heating and power purposes of the following types:—

- Horizontal Return Tubular
- Electric-welded Steel (for heating only)
- Vertical Fire Tube
- Vertical Water Tube
- Horizontal Water Tube
- Inclined-tube, multi-drum water-tube
- Locomotive
- Scotch Marine
- Scotch Dry Back
- Fitzgibbon
- Waste Heat

Tanks (steel) of all shapes and sizes for storage and pressure purposes.

- Accumulators
- Ball Mills
- Barges (Steel)
- Bins and Hoppers (Steel)
- Blast Furnaces and Equipment for same
- Asphalt Road Machinery, including Dryers, Mixers, Screens, Sand Conveyors, etc.
- Oil Refining Equipment, including Bubble Towers and Parts, Stills, Separators, etc.
- Dredge Buckets
- Mine Buckets (Ore and Sinking)
- Coal Bunkers
- Buoys (Bell, Gas, Whistling, Lighting, etc.)
- Mining Machinery, including Ball Mills, Tube Mills, Crushers, Pulverizers, Classifiers, etc.
- Coal and Ash Handling Equipment
- Coal Pulverizers
- Elevating and Conveying Machinery
- Condensers (Barometric, jet, surface, etc.)
- Creosoting Cylinders
- Rock Crushers
- Cupolas
- Sulphate Digestors (for pulp mills)
- Dryers, (Brick, Fertilizer, Salt, Sand, Sugar, etc.)
- Dump Car
- Dust Collectors and Flues
- Economizers

[Major J. E. Hahn.]

Engines—Steam of following types:—

Corliss, both simple and compound, slide valve  
Fore and Aft compound Marine  
Triple Expansion Marine

Evaporators (Salt, Glycerine, etc.)

Filters

Filter Plates

Filter Presses

Flues (Air, Gas, Smoke, etc.)

Garbage burners and Incinerators

Gas Coolers and Washers

Gas Producers

Gasometers, Crates for Boilers

Grab buckets

Grinders, Pulp, etc.

Head Gates and Operating Machinery for Electric Power Plants

Heat Exchangers

Heaters, Hot water, etc.

Hoists, Mine

Hoisting Drums

Kettles (Blending, Jacketed, Tar, Varnish, etc.)

Kilns, China

Ladles (Dipping, foundry, pouring, etc.) and operating mechanism

Larry Cars

Marine Legs and Spouts, including hoists, booms, pushers, etc.

Mash Machinery (Mash tubs, mash machines, cookers, etc.) for  
brewers and distillers

Mine Cars

Mine Cages

Mixing Tanks of all types

Moulds

Paint Mills

Paint Mixers

Paper Waxing Machines

Patterns

Penstocks (steel) including headers and intake pipes)

Gears and Pinions

Pre Heaters

Presses

Propelling Machinery for Steam-driven boats, including shafting,  
propellers, etc.

Pug Mills

Pulp Distributors

Pumps: (Centrifugal, triplex, compound, duplex, Air, etc.)

Trash Raks

Railway Tie Cars

Refiners

Cooking and Steaming Retorts

Steel Rings (Plate, Angle and Bar)

Road Rollers

Roasters

Rope Wheels (For Mine Hoists)

Steel Scows

Screens (Battery cell, dust, gravel, hydrator, stone, pulp separator,  
vibrating, etc.)



Gas Scrubbers  
 Separators (Gas, oil, salt, steam sulphate, water, etc.)  
 Hydraulic Turbines, including scroll cases and all parts of same  
     excepting governors  
 Shafting, pulleys, Bearings, etc.  
 Sheave Wheels  
 Tractor Shovels  
 Sintering Plants  
 Skips (Charging, Mining, Sinking, Ore, Stone, etc.)  
 Smoke Breechings  
 Smoke Boxes  
 Smoke Stacks  
 Spark Arresters  
 Soap Mixers  
 Spouts  
 Pulpwood Stackers  
 Steel Pipe (Rivetted or Welded)  
 Steam Drums  
 Stills  
 Stokers  
 Transmission Machinery  
 Transformer Tanks  
 Transformer Cars  
 Trommels and Trommel Screens  
 Vulcanizers  
 Stand Pipes  
 Water Towers, Elevated  
 Winding Drums  
 Steel Transmission Poles  
 Lighting Poles  
 Custom Machining of all kinds  
 Boiler Repairs  
 Marine Repairs  
 Special Machinery to Customer's Drawings and Specification  
 Special Plate Work to Customer's Drawings and Specification

Was that list made up by yourself?—A. That was made at the plant.

Q. It was made at the plant?—A. Yes.

Q. Is that the type of thing that the John Inglis Company manufactured when it was in operation?—A. That is correct.

Q. And that is what it was capable of manufacturing?—A. That is correct.

Q. And went with that the trade that they had been manufacturing that stuff for?—A. That is right.

Q. And this is the plant that they said was of no value.

*By Mr. Brooks:*

Q. How much of that was there when you took over?—A. A great many of these items.

*By Mr. McGeer:*

Q. Was the machinery and equipment to make that great list of engineering work there?—A. You have seen it in operation when you were there.

Q. The John Inglis Company was one of the outstanding and most effectively equipped engineering plants in the Dominion of Canada, was it not?—A. That is correct; one of the largest and one of the best equipped.

[Major J. E. Hahn.]

*By Mr. Golding:*

Q. If they will give you an order for those things, you will be glad to have it?—A. Yes.

Mr. McGEER: There is one other thing. I think we should like to put on the record exhibit 296. That is the appraisal value that you gave to Sir Harold Brown, is it?

Mr. MacNEIL: Of 1929.

*By Mr. McGeer:*

Q. That is of 1929?—A. That is of 1929.

The CHAIRMAN: Shall we accept that as read?

Some Hon. MEMBERS: Yes.

Exhibit 296 is as follows:—

## CANADIAN APPRAISAL COMPANY LIMITED

MONTREAL

The Canadian Appraisal Company, Limited, a corporation organized, created and existing under and by virtue of the laws of the Dominion of Canada, with its Head Office in the City of Montreal, in the Province of Quebec, by its duly authorized officer, hereby certifies that it has caused an appraisal to be made of the Buildings, Machinery and Equipment (exclusive of Land)—Property of—

## THE JOHN INGLIS CO., LIMITED

TORONTO, ONT.

as is evidenced by a certain appraisal invoice. That the Present Value of such property as of July 27th, 1929, based upon the cost of reproducing same now, after deducting depreciation for wear and tear and other reasons, is One Million, Three Hundred and Twenty-Seven Thousand, Two Hundred and Six and  $\frac{24}{100}$  Dollars—

Buildings . . . . .	\$ 557,302 45
Machinery and Equipment . . . . .	769,903 79
	<hr/>
	\$1,327,206 24

which figures represent a true and correct appraisal of said property to a going concern on said date and according to its best knowledge and belief. We also certify that the Replacement Value Now of said property is One Million, Seven Hundred and Seventy-seven Thousand, Six Hundred and Twelve and  $\frac{34}{100}$  Dollars—(\$1,777,612.34). The detailed figures will be found in the Summaries accompanying this certificate.

Dated at Montreal, P.Q., October 15th, 1929.

CANADIAN APPRAISAL COMPANY, LIMITED,

By "L. W. FRICKE,"  
Vice-President.

[Seal]

# SUMMARY BY CLASSIFICATIONS SHOWING REPLACEMENT VALUES NEW AND PRESENT VALUES

	Replacement value new	Present value
<b>Buildings—</b>		
Construction.. . . .	\$ 598,685 96	\$ 488,288 60
Hot blast heating system.. . . .	31,134 79	23,851 89
Heating piping.. . . .	10,632 06	9,361 27
Plumber piping.. . . .	1,289 44	1,067 62
Sprinkler system.. . . .	19,839 30	19,839 30
Fire service piping.. . . .	4,666 46	3,605 93
Fire service equipment.. . . .	1,938 05	1,682 56
Electric lighting.. . . .	9,368 55	7,296 13
Light wiring.. . . .	3,022 04	2,309 15
	<hr/>	<hr/>
	\$ 680,576 65	\$ 557,302 45
<b>Machinery and equipment—</b>		
Machine foundations.. . . .	10,980 80	10,135 76
Steam plant.. . . .	16,270 00	11,101 80
Steam plant piping.. . . .	2,942 46	2,233 64
Electric power generating plant.. . . .	22,970 00	18,558 50
Motors.. . . .	26,967 40	18,291 69
Power wiring.. . . .	7,800 02	6,151 40
Machinery, etc.. . . .	626,052 00	419,291 17
Sale machinery (sale value).. . . .	5,150 00	5,150 00
Manufacturing piping.. . . .	13,904 87	11,730 74
Hydraulic piping.. . . .	6,159 09	5,770 44
Dust collector system.. . . .	346 12	238 39
Blower system.. . . .	3,027 66	2,217 18
Unused equipment.. . . .	10,035 00	10,035 00
Trolleys, cranes and hoists.. . . .	166,159 00	116,697 80
Crane foundation.. . . .	182 22	167 64
Forges and furnaces.. . . .	7,804 00	5,375 05
Transmission.. . . .	8,228 65	6,149 09
Pulleys.. . . .	1,665 12	1,035 02
Belting.. . . .	7,614 90	5,224 68
Tools.. . . .	101,909 43	76,432 08
Factory furniture and fixtures.. . . .	14,828 75	10,348 62
Tanks.. . . .	6,028 00	4,696 81
Trucks, etc.. . . .	1,913 75	1,052 56
Scales.. . . .	3,071 00	2,080 15
Platform wagon scale foundation.. . . .	605 18	514 40
Office furniture and fixtures.. . . .	7,528 10	6,115 31
Plant office furniture and fixtures.. . . .	4,870 00	3,481 78
Time recording system.. . . .	2,445 00	1,577 50
Hospital equipment.. . . .	417 17	354 59
Motor trucks.. . . .	9,160 00	7,695 00
	<hr/>	<hr/>
	\$1,097,035 69	\$ 769,903 79
	<hr/>	<hr/>
	\$1,777,612 34	\$1,327,206 24

Mr. MACNEIL: That is 1929.

Mr. MCGEER: He knew it was 1929. Sir Harold Brown and the engineers in England knew it was 1929. The suggestion has been made that we put up an appraisal value to them or that Hahn put up an appraisal value without disclosing that it was 1929. He says, "I handed it to him," and the date 1929 is on it.

The WITNESS: Yes.

Mr. MCGEER: There is one other thing that I think should go on the record and that is exhibit 138. It is partly on the record now but it describes the plant as follows:—

Our plan of operation consisted of (1) making a complete analysis of the company's sales and profits and dropping non-profitable lines while continuing production of all possible existing lines. A new line has been added, namely, the manufacture of cotton and steel poles—(2) completion of budgets covering the production under the following headings:—

1. Boilers high and low pressure tanks.
2. Engines.
3. Bridge and structural steelwork.
4. Machinery.
5. Special steel construction.

[Major J. E. Hahn.]



Mr. MACINNIS: That is in the record now.

Mr. McGEER: That whole page?

Mr. MACINNIS: Yes.

Mr. McGEER: As I say, there is no deception there. All the things that Colonel Drew said were not disclosed, upon which he bases his charges of fraud are now found to have been completely disclosed to both the Department of National Defence—

Mr. MACNEIL: Just a minute; there is one other.

Mr. McGEER: There is still one left that has not been dealt with?

Mr. MACNEIL: You did not refer to it in your examination this morning, and Colonel Drew mentioned it.

Mr. McGEER: What is that?

Mr. MACNEIL: Exhibit 137 and 138. I am going to ask Major Hahn some questions on that.

Mr. McGEER: We will clean that up. That is certainly the only one that is left to clean up.

Mr. GREEN: What about 388?

Mr. McGEER: Do you want to examine on 388?

Mr. GREEN: We did.

*By Mr. MacNeil:*

Q. This is a letter signed by yourself, addressed to Colonel LaFlèche, Major Hahn. For what purpose was this letter written?—A. What is the date of that?

Q. It is May, 1937.—A. Exhibit 137?

Q. Exhibit 137.

*By Mr. MacNeil:*

Q. First of all, Mr. McGeer in his examination a moment ago got from you the statement that this Dun & Bradstreet report was placed before Sir Harold Brown some time in January or February or 1938?—A. That is right.

Q. Let us turn now to the information that you supplied to General LaFlèche early in 1937—I am referring now to exhibit 137, which is a letter dated the 6th of May, 1937, and addressed to Col. LaFlèche at Arlington House:—

Dear Colonel LaFLÈCHE,—With reference to our conversation to-day I had pleasure in confirming your understanding that I represent the John Inglis company of Toronto having a controlling interest. This company was incorporated in 1860.

Is that perfectly accurate?—A. Of course.

Q. Was the company which you represented at that time incorporated in 1860?—A. I was representing the new company that General LaFlèche knew I was representing.

Q. That is not the statement in this letter?—A. I again would like to finish my answer. This letter is the result of a telephone conversation with General LaFlèche who at that time, as I said, had known all the facts. This letter is very carelessly worded. I did not know what it was for, I thought it was just a few facts that he wanted with regard to the old company, as a matter of fact. That was the only thought I had in mind, I did not know for what purpose he wanted the letter. I had had a talk with him on the telephone before he wrote that letter.

Q. You now agree that interpretation might be placed on that letter that you were not giving the essential facts?

Mr. McGEER: What difference does it make anyway about what time this company was incorporated, whether it was in 1860 or in Tutankamen's time—what has that got to do with the manufacture of guns?

Mr. MacNEIL: I am going to go ahead and develop this point; in this letter written at the request of General LaFlèche Major Hahn said, "I represent the John Inglis company of Toronto having a controlling interest. This company was incorporated in 1860." I now ask Major Hahn if that is entirely accurate.

The WITNESS: Entirely accurate, just what do you mean?

*By Mr. MacNeil:*

Q. What I am pointing out is, is the statement in this letter strictly accurate?—A. Well, as I have explained to you, the letter was carelessly written.

Q. You admit then that the facts set out in this letter are such as to permit of wrong interpretation?—A. No, not to the man who got the letter.

Mr. McGEER: Nor was there any intention to deceive.

The WITNESS: There was no thought of deceiving in any way, it would not be misinterpreted by the man who received this letter.

Mr. McGEER: You could not convict a man of fraud on evidence of that kind. It would be silly. You would be laughed out of any court in the land.

*By Mr. MacNeil:*

Q. To proceed with my point, I am now going to refer to the second paragraph of that letter:—

My company has been engaged since its incorporation in the manufacture and production of steel and engineering equipment.

A. Again, in the same sense, referring to what I thought was wanted. It was a telephone conversation, and I thought what he wanted was the background of the company. That is all I thought he wanted, and to that extent. He knew the whole story from start to finish, that we were just starting up, that the company had been closed down; that information was sufficient for what he wanted.

Q. What did he want it for?—A. I don't know.

Q. It could only be for one purpose, to supply information to the war office?—A. I will just answer that, that is absolutely inaccurate, as stated by his own evidence at page 1853, where the commissioner asked:—

*By the Commissioner:*

Q. Was not the purpose of that letter for you to hand over to the war office?—A. No, I did not hand it over to the war office.

Q. Did you give the war office the information that was contained in it?—A. I did not, no. I understood that they had looked up these people.

There is no question about this going to the war office.

Mr. MacNEIL: Will you read the rest of the evidence on that same page.

The WITNESS: Could I say this: In reference to the insinuation or suggestion that this letter, or the author of the letter of the 22nd, was writing with any intention on my part of submitting that to the war office. Any such suggestion is absolutely wrong. That is all I can tell you.

*By Mr. MacNeil:*

Q. You have referred to the evidence before the Davis commission. Now, the same evidence discloses that conversations were underway between yourself and Col. LaFlèche and the officials of the British War Office in connection with these various matters, and they were discussed there, is that not correct?—A. That is correct. Have you seen the photographs that I handed out?

[Major J. E. Hahn.]

Q. That has nothing to do with it, I am discussing this letter.—A. If you had seen these photographs you could not even suggest that.

Q. We are not talking about the photographs; we are dealing with the question of the plant at the moment, we are talking about the continuing corporation.—A. Have you seen the statement given at the proceedings?

Q. You have just told me that was not submitted to the war office until 1938?—A. I have also given evidence that I had this matter up in November of 1936—

Mr. McGEER: You see, you are overlooking this I suggest; this is something the British War Office had investigated and they knew all about the facts. There is no question at all, it has been shown in evidence, that they knew all about this company having been in receivership. There is no doubt about that. Hahn said to them, we will give you any information you want about that. Now, having done that the evidence goes further and says that the British War Office took advantage of that by having a man go to the Bank of Montreal and check up on that information. And now you are examining this witness on a letter written to somebody else, and you are suggesting that this witness was trying to deceive the war office.

Mr. MACNEIL: But this letter was written by the witness himself prior to that date.

Mr. McGEER: No, it was written in November of 1936 and it was then he referred them to the Bank of Montreal and it was then that the Bank of Montreal gave them that information.

Hon. Mr. STEWART: Why are these interruptions at this time permitted?

The CHAIRMAN: Order, order.

Mr. MACNEIL: All these letters were written by Major Hahn himself. We have that in evidence. This one was written in May of 1937; and I also am referring to exhibit No. 139; and on these the minister was examined at length. These letters, as has been said, were in reply to a telephone request by General LaFlèche. I suggest the evidence shows the importance of these letters which the witness says were carelessly and casually written.

Mr. McPHEE: The answer to that, of course, is that there were no deceptions in these letters.

Mr. McGEER: Not only that, the evidence is also on the record that General LaFlèche had access to the Bank of Montreal, he knew that Hahn had taken over this plant and he knew exactly what the condition of it was.

Mr. MACNEIL: Mr. McGeer is just now showing why we have not made more progress on this investigation than we have. I suggest, Mr. Chairman, that interruptions of that kind are entirely out of order. I hope he does not suggest that my questions are out of order.

Mr. McGEER: I think they are quite unnecessary.

Mr. MACNEIL: In any event, they are direct questions.

Mr. McGEER: They do not indicate an understanding of the evidence that has been given.

The CHAIRMAN: Order, gentlemen. I will have to ask the hon. gentleman to permit the witness to continue.

Mr. MACINNIS: May I draw your attention to the fact that this letter was written for the information of General LaFlèche for the purpose of supplying information to his minister, the Hon. Ian Mackenzie. It was written for the purpose of giving information in this way to Mr. Mackenzie.

Mr. McGEER: The evidence is that the minister was acting on the recommendation of the deputy minister; and in this respect, I submit, there was no deception.



Mr. MACINNIS: The information was obtained for the minister—

Mr. McGEER: The Skey telegram says that Hahn was engaged in trying to re-establish the John Inglis Company.

Mr. MACINNIS: That is the peculiar thing about the Skey cablegram; it is contrary to the letters written by Major Hahn to General LaFlèche.

The WITNESS: It is not contrary to the letter at all.

Mr. MACINNIS: Oh yes, it is.

Mr. McGEER: Not at all.

Mr. MACNEIL: Well, since that has come up let us read this cablegram of May 21st, 1937, from H. S. Skey:—

Lieut.-Col. LAFLÈCHE,  
Arlington House, London West.

In regard to Major J. E. Hahn we have had business dealings with him extending over many years and he is held in high regard by us and generally Stop Is a man of substantial means good character integrity initiative and possesses good ability of an executive and organizing nature Stop Has recently been engaged in efforts for the resumption of activity of the John Inglis Company following death of John Inglis.

H. F. SKEY,  
*Manager, Bank of Montreal, Toronto.*

Mr. McGEER: Does that say the Inglis company was closed down?

Mr. MACNEIL: Yes.

Mr. McGEER: It refers to a resumption of the activities of the John Inglis Company following the death of John Inglis.

Mr. MACINNIS: But both the letter of General LaFlèche, and Major Hahn's letter convey an indication that the plant is in operation.

Mr. BERCOVITCH: No, it does not.

Mr. MACINNIS: Yes, it does.

Mr. McGEER: Let me put this to you as a fair proposition that so-and-so is so-and-so: If at some time someone directed you to a banker for information that you knew he knew and directed you to a banker for information who knew all about it, would you suggest that there is any ground for suspicion that there was an intention to deceive?

Mr. MACINNIS: But the bankers did not know all the information about it. The bankers knew general information.

Mr. McGEER: The evidence is that they knew all about it.

Mr. MACINNIS: The evidence is not that they knew all about it.

Mr. McGEER: Let me ask this witness again about it?

Mr. MACINNIS: We have the bank's cablegram here and they do not presume to know all about it.

Mr. McGEER: I asked Major Hahn this morning, "Did the bankers know all about your dealings with the Premier Trust Company, the price you were paying, the receivership and all the pertinent facts?" And the answer was, "The bankers went into the thing with me and knew it all." Isn't that correct, Major Hahn?

The WITNESS: That is correct.

Mr. McGEER: Long before Hahn ever came to the Department of National Defence or went to the war office, and in both instances the evidence is that he referred them to his bankers, the Bank of Montreal, who knew all the facts. How could there be any intention to deceive or suspicion of intention to deceive?

[Major J. E. Hahn.]

Mr. MACINNIS: Because of this letter.

Mr. McGEER: Because there are some letters that do not convey all that information. But all that information was available to both the Department of National Defence and to the war office.

Mr. MACINNIS: Why was it not put in this letter? Letters are written for a certain purpose and what is in the letters conveys the purpose for which they are written.

Mr. McGEER: The other information is that before the contract was executed all the information was definitely in the hands of the Department of National Defence and the interdepartmental committee and the British war office.

Mr. MACINNIS: We are not talking about that, we are talking about this particular point. Will you kindly sit down until I am finished? You have had about three-quarters of the time of this committee already.

Mr. McGEER: That is a false statement.

Mr. MACINNIS: It is not false.

Mr. McGEER: You check it up and you will find that my time of this committee will not take 25 per cent of it.

The CHAIRMAN: I wonder if we could proceed with the witness?

Mr. McGEER: I was requested by a group of government members to do the work for the whole of them.

Mr. BERCOVITCH: Hear, hear.

Mr. McGEER: And when you distribute my time over all the government members and distribute the time you have taken for your group, you have taken far more time than we have.

Mr. MACINNIS: I have taken very little time, as a matter of fact.

Mr. McGEER: As a matter of fact, I will agree with that.

Mr. GREEN: You admit being government counsel?

Mr. McGEER: No, I was asked by the government members of this committee to conduct this examination on their behalf, and I accepted it as an honour that would not have been given to me if I did not have the respect and esteem of my colleagues.

Mr. MACINNIS: The evidence continues:—

Q. It is not really troubling me very much because we will get to it in the long run. One of the facts in that statement is about the large volume of business that the John Inglis company had been doing up until 1936. I suppose that would have its impression upon you?—A. Oh, naturally, the documents would impress me.

Mr. McGEER: There is nothing untrue about that, is there?

Mr. MACINNIS: Will you keep quiet, please? Mr. Chairman, will you see that he keeps quiet?

The CHAIRMAN: I will do the very best I can, Mr. MacInnis.

Mr. MACINNIS: I don't think you will succeed, but try.

The CHAIRMAN: Might I make one suggestion? I wonder if Mr. Green would come up and sit near Mr. McGeer.

Mr. McGEER: We have had enough of that kind of thing put on the record by the chairman.

The CHAIRMAN: I am quite sure—

Mr. McGEER: I know. If we wanted to go into a discussion of that kind I could say several things.

Mr. MACINNIS: The evidence continues:

One of the facts in that statement is about the large volume of business that the John Inglis company had been doing up until 1936. I suppose that would have its impression upon you?—A. Oh, naturally, the documents would impress me.

Mr. MCPHEE: Whose evidence is this?

Mr. MACINNIS: The Honourable Ian Mackenzie's evidence.

Mr. MCGEER: He did not have anything to do with the making of the contract, and he said so a dozen times.

Mr. MACINNIS: He said he took the responsibility for it.

Mr. MCGEER: For the conduct of his officials. He says, "I could take no credit for the contract."

Mr. MACINNIS: Just keep quiet for a minute.

Mr. MCGEER: You keep making misstatements of fact.

Mr. MACINNIS: These are the questions put to the minister and his answers.

The WITNESS: What page is that?

Mr. MACINNIS: Page 2423. It goes on:—

Q. Would it have had any effect upon you when you were told that for the last year or two the John Inglis company had been running so much in the red that they had to stop business?—A. That is a question of opinion and argument. It is purely a question whether this man with his executive ability was able to organize the production for Bren guns for Canada.

*By the Commissioner:*

Q. Mr. Minister, the question asked by Mr. Hellmuth was: Would it have had an effect upon your mind?—A. Undoubtedly, yes.

*By Mr. Hellmuth:*

Q. It would, and would it have surprised you, would it have struck you as being misleading if you had been told that the John Inglis Company—

The WITNESS: Just a minute, Mr. MacInnis, please read the following, or continue the evidence after that.

Mr. MACINNIS: I am reading it consecutively. Do you suggest that I am leaving anything out?

The WITNESS: No; I would like you to put in what is on that page. You said you were reading page 2423, did you not?

Mr. MACINNIS: Yes.

The WITNESS: Oh, I beg your pardon. My record is not complete. I have here just extracts from it.

Mr. MACINNIS: Well, I have the original and you must admit it is better than extracts.

The WITNESS: I beg your pardon.

Mr. MACINNIS:

*By Mr. Hellmuth:*

Q. It would, and would it have surprised you, would it have struck you as being misleading if you had been told that the John Inglis company, that the statement as to this amount of money being made did not apply to the last three years at all of the John Inglis Company?—A. Of course, again, that is a matter of argument. I think the documents must speak for themselves.

[Major J. E. Hahn.]



Q. I ask you would it have affected you if you had been told that this company had to get back in business somehow, that it had not been doing any business; I ask you if that warrants any sort of assumption that it is a company already existing? Did you suppose that Major Hahn had been concerned with this company that had been in existence since 1860?—A. No, I should not think so.

The WITNESS: That is what I wanted.

Mr. MACINNIS: The evidence continues:—

Q. You did not think he had been engaged in it?—A. Since 1860, no.

Q. No, I do not suppose he was.—A. I am sorry. I apologize. I did not understand your question.

Mr. RALSTON: I think you will find the question is different.

*By Mr. Hellmuth:*

Q. Did you not suppose that Major Hahn had any connection with this company that had been organized in 1860?—A. I did not, no.

Q. Did you assume from the terms of that letter?—A. I accepted the letter in good faith, the assurances contained therein.

Q. And relied upon its correctness?—A. Absolutely, yes. Oh, yes.

Q. Relied upon its correctness?—A. Certainly.

The WITNESS: Yes, but the whole point is that that misled him that it was the old company, and he said several times he had no idea or thought it was the old company.

*By Mr. MacInnis:*

Q. These letters were written and he relied on the information that was in the letters and the information in the letters was not correct?—A. Not at all.

Mr. MCPHEE: He swore he was not deceived by the letter.

Mr. McGEER: If the language had been, "It was a company that was established and we have been taken over," would there have been any objection? The technical difference in the language is not altered any by the facts and the evidence. There was a company that was launched by the Inglis people in 1860. It carried through and it went into inactivity through the death of John Inglis. That means that the Inglis people had died out. The one thing that might have been valuable to the old company was that the same family were carrying on. The most pertinent information in connection with the old company was that the Inglis family had died out. There was inactivity and Hahn was engaged in re-establishing that business. Now, what in the world can be wrong with taking over the company and stating that it was established in 1860? And who in the world would be deceived?

Mr. MACINNIS: That is not the only thing.

Mr. McGEER: The other things, we have wiped out.

Mr. MACNEIL: No.

Mr. McGEER: What have we not wiped out?

*By Mr. MacNeil:*

Q. Now, we have established the meaning of these letters?—A. Mr. MacInnis, I reserve my comment on any statement of that kind in view of all the evidence before you. I might expect that type of comment from certain quarters, but in fairness and with all the evidence before you in all the disclosures I have made that are on the record and that are perfectly obvious—obvious to the common sense of any person—that type of suggestion that goes across the press in Canada to a man that is operating a business I think should not be warranted unless the assurance and proof is very, very definite and conclusive.

*By Mr. MacInnis:*

Q. Just one word, Major Hahn. You were asked a question in regard to certain letters?—A. Yes.

Q. You examined this exhibit which contained letters and your answer to that question was that those letters were carelessly written?—A. No, I did not say the letters were carelessly written. I said the one letter, the first letter I wrote to General LaFlèche I wrote as a result of a telephone conversation assuming that he wanted the background of the old company, not having in mind at all that it was to be definite or specific—it was a very short letter that did not convey much of anything except the general background as I considered of the old company. When he told me what he wanted I did give him a letter that was definite and specific.

Q. Do you say now that you did not say a moment ago that the letters were carelessly written?

Mr. McGEER: He never said anything—

Mr. MACINNIS: We will get the record and it will show.

The WITNESS: No, I said the one letter—

Mr. McGEER: He said the letters, naming a whole string of them, were carelessly written.

*By Mr. MacInnis:*

Q. We will come to the next letter.—A. I have nothing to retract at all on the letter written to a man who knew all the facts.

Q. But the man did not. If the man knew all the facts, he did not need a letter. The letter was required for a man who did not know all the facts, and who wanted to know all the facts?—A. I did not know that at all. I did not know what this letter was for.

Q. A person who has all the facts does not require another letter to give more of the facts; he has got all there is to know?—A. Just a moment. It is perfectly evident to you also from the evidence, that all the way through I was not conversant with what they wanted or why they wanted, and why it was done or not done; that is also very evident from the evidence, and it is very definite from these two letters, and must be obvious to you that I did not have the significance in this first letter at all what it was wanted for.

*By Mr. Brooks:*

Q. You spoke of a telephone conversation which you had with General LaFlèche, Major Hahn. Did General LaFlèche not explain to you in that telephone conversation what he required in writing?—A. No, it was not explained or I would have written a different letter.

Q. What was the telephone conversation about then?—A. Among other things in discussion with the general going along of my negotiations, and it was more or less of a casual thing in that conversation in connection with the background of the company.

Q. How did you know whether to write the letter? Did he not ask for the letter?—A. It was suggested, yes. I gathered out of the conversation that he wanted—I did not know.

Q. Did you misunderstand him—is that what you wish to say—over the telephone as regards the information he wished?—A. There may have been a misunderstanding over the phone in connection with what he definitely wanted as is obvious from the contents of the letter.

Q. You wrote the letters in reply to a telephone conversation. Did you misunderstand? Is that what you wish to tell us now?—A. No. I do not say I misunderstood the conversation, Col. Brooks.

Q. You must have misunderstood to get the information he wished.

[Major J. E. Hahn.]

Mr. McGEER: No. There is no evidence of that.

Mr. BROOKS: No, no. I am not asking you, Mr. McGeer, at all. You did not get any telephone conversation, and you do not know anything about it.

Mr. McGEER: Where is there any evidence that this contained the information he wanted?

*By Mr. Brooks:*

Q. Did you get the information during the telephone conversation on which you based this letter?—A. I would say no. The conversation was too general to give me an idea of what was specifically wanted.

Q. You sent a letter to him giving him information when you did not know what information he required?—A. Yes, I knew he wanted the general background of the company—of the old company—that is what he wanted.

Q. Was it the old company that you expected him to deal with in manufacturing arms?—A. No, not at all.

Q. Would you not expect the information required to be the information of the new company?—A. Well, now—

Mr. BERCOVITCH: Wait until he answers.

Mr. McGEER: Now you bring in the bad manners you have been showing all the way through.

*By Mr. Brooks:*

Q. It was in the new company you expected to manufacture arms, not in the old company?—A. That is right. Apparently, Gen. LaFlèche did not know at that time the amount or size or scope of the property we had acquired. That was the main purpose of the letter together with the other points I had with him. The old company started in 1860. In other words, there was a background there that had gone back for a period of years in the operation of the old company.

*By Mr. McGeer:*

Q. There was no information in that letter that would mislead Gen. LaFlèche?—A. No, he knew the whole story.

Mr. MCPHEE: The best evidence is that Gen. LaFlèche said he was not deceived.

*By Mr. MacNeil:*

Q. Were you writing this letter for some obscure purpose, or to give him the facts?—A. I was writing a letter to a man that I knew had substantially all the facts, all the pertinent facts, as to our new situation, and I wrote this letter. Now, that is all there is to it. When I knew what he wanted more specifically I wrote the other letter.

Q. You had a purpose in mind?—A. I did not have a purpose in mind—not the purpose you are suggesting.

Q. In the last sentence of the letter it says: "It might interest you to know that the present plant and equipment of the John Inglis company represents an investment of \$1,800,000." Is that statement strictly accurate with regard to the company which you represented?—A. It was not intended to convey that in regard to the company I represented; it was intended to show the amount—the approximate amount of money that had been spent to install the buildings and machinery in the plant that we control.

Q. You said, "it may interest you to know that the present plant and equipment of the John Inglis company represents an investment of \$1,800,000." You say the letter was carelessly written. Do you admit there were certain



omissions in the letter of relevant facts?—A. No, it was written as a statement to a man who knew the whole situation, and it was written on that basis and specifically dealt with on May 22nd.

Q. I refer you to exhibit 138 to a letter addressed to "The Hon. the Minister" and dated May 22, 1937, as follows:—

Following our discussion earlier in the week, I put a few questions to Major J. E. Hahn and attach hereto his letter of this date concerning the John Inglis Co., of Toronto. May I request instructions, please.

Now, you say in this letter:—

Dear Col. LAFLÈCHE,—The John Inglis company was founded in 1860 by the late John Inglis and was carried on by members of the family until some time after the death of the son, the late John Inglis, in February, 1936.

So, it is rather carelessly written?—A. It was written—this letter was written to present the facts.

Q. All right. "In May, 1936, negotiations were opened by my associates and myself, for the acquisition of the assets of this company. In July, 1936, the arrangement was consummated, whereby my associates and myself acquired the plants, machinery, name, and good-will of the John Inglis company."

Q. Is that strictly accurate?—A. It is accurate to the extent it was August instead of July.

Q. Well, had you in July of 1936, acquired the plant, machinery, name and goodwill of the John Inglis company? Was that a fact or not?

Mr. GOLDING: As explained by Mr. Dupuis.

The WITNESS: Remember, Mr. MacNeil, I was in London. To the best of my knowledge it was in July, although it was actually, I believe, in August to the best of my knowledge and belief. In August, 1936, the arrangement was consummated whereby we got the plant, machinery, name and goodwill of the John Inglis company.—A. That statement was correct to the best of my knowledge and belief.

Q. In the light of your evidence here it is not strictly correct. That was my question.—A. Now, just a minute.

Q. I am asking the question. You gave an answer and said, to the best of your knowledge and belief, and you said later it was on the later date that you acquired control of the plant.—A. It was August instead of July.

Q. It is not strictly accurate. Then you say this: "An analysis of the company's operations showed during the period 1930-1936, (1) sales \$26,921,349.30; (2) net sharing profit \$2,751,852.47." Does that apply to the operations of the company which you then represented?—A. No, it was not intended to be.

Q. I put it to you, the sequence in which it is given there, if any other impression could be taken from that letter?—A. Well, in July, 1936, the arrangement was consummated whereby my associates acquired the plant, machinery and goodwill of the company.

Q. Is there anything there to suggest that the corporation which you represented was not a continuing corporation, the old John Inglis Company? Can you find anything to suggest?—A. There is nothing there to suggest it was.

Q. Was not that an omission of an important relevant fact?—A. No. In July, 1936, the arrangement was consummated. In other words, it is obvious there was some interruption in the business, particularly when you buy. It is obvious we acquired the plant, machinery, name and goodwill. On the face of it, what does it mean? We acquired the assets, and when you acquire assets the obvious thing is you acquire a company that has ceased operation. You do not acquire assets of an active company. I have never heard of it.

Q. You say "an analysis of the company's operations. . ." meaning the company?—A. Of the old company.

[Major J. E. Hahn.]

Q. You did not say the old company.—A. What else could it mean? It is to General LaFlèche who knew. You must remember this letter is written to a man who knew the whole situation, and surely I did not have to elaborate every little detail to a man who already knew the general situation of the picture.

Mr. MCPHEE: And swore this morning that he knew.

*By Mr. MacNeil:*

Q. If that letter were placed before myself or before an official of the war office and he had no further inquiry made, would it not have led him to believe that you were referring to the sales and net trading profit of the company you represented?—A. Just a minute.

Mr. MCPHEE: It never went to the war office.

Mr. BERCOVITCH: The very second paragraph explains it all. This is what it says:—

In May, 1936, negotiations were opened by my associates and myself for the acquisition of the assets of this company.

That is clear enough.

The WITNESS: I want to say this, Mr. MacNeil, if I had told you and you had all the facts before you, as General LaFlèche did at the time he received this letter, and I wrote you this letter and you did go to the war office—which did not happen according to the sworn evidence—is it not fair to say that I put in there all that you consider necessary should be passed on to you? I am not writing the war office; I am writing the letter to you.

*By Mr. MacNeil:*

Q. The fact is you omitted from there that this was not a continuing or going concern throughout the period.—A. Because it was not necessary to clarify any further because you knew. You are the man to whom I am writing this letter and you already know all that.

Mr. BERCOVITCH: The letter is quite clear, there is nothing ambiguous about it.

Mr. MACNEIL: Not in my opinion, I submit.

Mr. MCPHEE: That is a matter of opinion.

Mr. MACNEIL: I am asking Major Hahn. Has he any just cause for complaint if this letter is interpreted otherwise?

The WITNESS: I have no cause for complaint, and I ask you again to be fair in view of the fact that we are operating a commercial company. Please be careful not to place any interpretation inadvertently on something that affects an operating company. That is all I ask you to do.

*By Mr. MacNeil:*

Q. All I am asking you is to place on the record your interpretation of that letter.—A. My interpretation is very clear. I am telling you the import of it. This letter was written to a man, who, I have told you already, we had told we had bought a closed down plant which we were putting in operation, a man who had his engineers go through that closed down plant, who had a report on our plant, and surely in the light of that, what in the world more could you want than this letter?

Q. But he asked for a letter from you for some purpose?—A. He asked for a letter from me to more or less set out the scope of the operations of the old company, to get some idea—General LaFlèche, I do not think I had a chance to discuss it with him, the size of the operations of the old company and what business it transacted, whether it was a company that had a million dollars a

year business or \$50,000 a year business. I do not think we ever discussed that. I think he wanted some idea of the size of the business that the old company transacted and the size and scope of its operations.

Q. Then you go on:—

Our plan of operation consisted of—(1) making a complete analysis of the company's sales and profits and dropping non-profitable lines whilst continuing production of all profitable existing lines. A new line has been added, namely the manufacture of tested steel poles—(2) completion of budgets covering the production under the following headings:—

1. Boilers, high and low pressure tanks.
2. Engines.
3. Bridge and structural steel work.
4. Machinery.
5. Special steel production.

While the preceding was under completion, it was found necessary to give the plant a complete overhauling. In October, 1936, during this period of plant overhaul contact was established with the Department of National Defence and an investigation undertaken with regard to the manufacture of the Bren gun.

Why do you just gloss over the fact that the company had not been in operation during the period from 1936 to that date?—A. Well, he knew it, and there was some work going to the company, Mr. MacNeil, I have told you that before.

Mr. McGEER: There is one point I should like to clear up, if Mr. Green will allow me. General LaFlèche is here and Mr.—what is that fellow's name?—

Some hon. MEMBERS: Colonel Drew.

Mr. McGEER: Colonel Drew—I had forgotten his name—said something about the Petawawa plant being able to repair cannon and manufacture parts of guns and that kind of thing. I am informed that is not true.

Mr. McCANN: It is a blacksmith's shop.

Mr. McGEER: A small machine shop for the repairs of carriages and that kind of thing. I should like to have General LaFlèche called a moment to state that, if you do not mind?

Mr. GREEN: I do not mind that, if that is the case.

Mr. McGEER: It is a matter I overlooked. It was in my notes; I had it there, and I should appreciate very much if you let me put it in.

The CHAIRMAN: Are you finished with the present witness?

Mr. GREEN: There is one question I should like to ask.

Mr. McGEER: Go ahead.

*By Mr. Green:*

Q. Major Hahn, you made some objection to a part of the article in *Maclean's* magazine which reads as follows:—

This stock has value only because the Minister of National Defence has undertaken to buy Bren guns with public money.

Do you say the Bren gun contract had no effect at all on the value of the stock?—A. It is just as foolish for me to say the Bren gun contract had no effect on the value of the stock as it is to say the stock only has value because of the Bren gun contract.

Q. You went very far when you were asked that question before. I thought you had gone much too far.—A. Mr. Green—

Q. Your statement was obviously wrong.—A. Do you think my statement was incorrect?

[Major J. E. Hahn.]



Q. Yes. I think the Bren gun contract had a great deal to do with the value.—A. It has. Is the statement the stock has only value because of the Bren gun contract correct?

Q. Maybe that went too far also. Certainly the contract must have a very great effect.

Mr. McPHEE: That answer was dealt with some time ago at page—

Mr. GREEN: Mr. McPhee has no right to interrupt.

Mr. McPHEE: Let us be accurate.

Mr. GREEN: As a matter of fact, some of these shares actually sold last summer at \$7.50 each.

The WITNESS: And I paid \$6 for a great many shares.

Mr. GREEN: Yes, but you got a great many more that you did not pay anything for.

The WITNESS: We are entitled to that. We are restoring the value to the company.

Mr. GREEN: We went all through this statement.

The WITNESS: We went all through this statement.

Mr. GREEN: That is all.

Mr. McGEER: Before I deal with you, General LaFlèche, may I ask one other question of Major Hahn?

*By Mr. McGeer:*

Q. The total value of the stock that has been sold is \$20,000?—A. Some 3,000 odd shares, I do not know how many.

Q. \$7 a share would be \$21,000?

The CHAIRMAN: Are there any other questions to put to Major Hahn?

Mr. McGEER: I move the witness be discharged.

Major-General L. R. LAFLÈCHE, recalled.

*By Mr. McGeer:*

Q. You heard the evidence given by Colonel Drew with regard to the Petawawa plant. What have you got to say about that?—A. At most there is at Petawawa camp a repair machine shop. I have, of course, inspected the Petawawa camp but I do not recall exactly where that machine shop is; but I do know this, that there is no special vote in our departmental estimates for that purpose. The camp is closed during most of the year. We keep a maintenance engineer there, but he is not for the machine shop. He is for the camp property. It can only be used during the short summer training season and then it can only be for ordinary small repairs to ordnance.

Mr. GREEN: Mr. McGeer, will you tell us where that quotation by Colonel Drew is?

Mr. McGEER: I will look it up for you, just after I ask this question.

*By Mr. McGeer:*

Q. You heard Major Hahn's evidence this morning or to-day with regard to the Ross rifle machinery that was used at the John Inglis plant?—A. Yes, I heard him on that.

Mr. GREEN: Now, Mr. Chairman—

*By Mr. McGeer:*

Q. Was that a correct statement. I mean, that is all I will ask. Was that evidence correct?—A. He mentioned certain numbers; I believe he said 150 or 180 machines. To the best of my knowledge, and of what I heard of his evidence, it is correct in my opinion.

Q. I do not think you caught my question. I asked you the question as to whether his evidence was correct or otherwise?—A. What I heard of his evidence was correct, to the best of my knowledge.

Q. Did you hear his evidence?—A. Not all of it; that is my point.

Q. That is the difficulty?—A. I did go out during the time Major Hahn was on the stand.

Q. Did you go when he was giving that evidence?—A. I think I did, yes.

Q. I thought you were here all the time.—A. I heard at least part of his evidence on that point, and what he said certainly coincides with what I know of the matter.

Q. What is the situation with reference to that? Was all the machinery available for Bren gun construction that was on hand from the Ross rifle plant and could be used, used in the construction of Bren guns?—A. Yes. It was all placed at the disposal of the contractors under the supervision of my own departmental officers; and all the machines that could be used to produce Bren guns are being used.

Q. And that amounted in value on your books— —A. On the old sales price list to some \$43,000—I was corrected this morning—it is some \$42,000. We gave it a replacement value, in my opinion of 200 and some thousand dollars.

Q. That is for the carrying out of the Bren gun contract?—A. Yes.

*By Mr. MacInnis:*

Q. Would General LaFlèche give us a description of the equipment in the Petawawa plant?—A. I have given it to you to the best of my ability. It is at most a repair machine shop.

Q. What is the equipment in it?—A. I do not know.

*By Mr. McGeer:*

Q. Can you manufacture guns there?—A. Certainly not; not by the greatest stretch of the imagination.

Q. The impression that was given by the evidence of Colonel Drew was that it is a plant that could be converted into a gun-making plant, when it had just equipment for repairing during the summer training season. What he suggested was that you could make parts of guns in it.

MR. MACINNIS: Could that not be converted into a gun-making plant? The Inglis factory was converted into a Bren gun-making plant. Might this one not be made into a gun-making plant?

*By Mr. McGeer:*

Q. Is there any possibility of that being used for making guns or parts of guns?—A. It has never been mentioned in that respect.

Q. Could it be used or was it intended for that purpose?—A. No. Petawawa Camp is a permanent artillery training camp, used only entirely during the training season.

Q. What do you call the training season?

MR. MACNEIL: Could it be used—

THE WITNESS: The summer season; the artillery men are going out about this time.

[Major General L. R. LaFlèche.]

*By Mr. McGeer:*

Q. Is there any possible way in which that machine shop up there, which is just for summer training purposes, could be converted into an arsenal—or is there any such possibility in the mind of the department—or to manufacture parts of guns?—A. Yes; just like Australia put up a new city at Canberra.

Q. I am talking about this machine shop.—A. Certainly not.

Q. I am not talking about what you can build at Petawawa. I am talking about a specific thing, this machine shop referred to by George Drew the other day?—A. Certainly not; not unless you do everything afresh, and in addition to what is there now.

Mr. GREEN: We are undertaking to make a Bren gun shop out of an old boiler factory.

Mr. McGEER: It is an old boiler factory still?

Mr. GREEN: Yet.

Mr. GOLDING: You ought to be ashamed at yourself. However, I am not surprised.

*By Hon. Mr. Stewart:*

Q. I have just one question on this one subject. Was not Colonel Drew's suggestion that the location of a munitions plant might better be outside a city than within it, and he mentioned—what is the name of the camp up there?

Mr. BERCOVITCH: Petawawa.

*By Hon. Mr. Stewart:*

Q. Petawawa or some place like that where it might be desirable to locate a munitions plant rather than in the heart of a great city?—A. Well, I do not know.

Q. Yes, it was on that point— —A. Your question is, sir, involved. You mention "munition plant" whereas the manufacture of the Bren gun is making, according to Colonel Drew, a "death-dealing weapon" or "a piece of armament." If your question is whether it would be advisable—

Q. No; that was not the connection in which he was speaking.—A. I beg your pardon. What is your question?

Q. Was not the connection in which he was speaking advocating the location of the plant—considering the John Inglis plant—in such an area as that rather than in the heart of a great city?—A. Taking his theories as he expressed them and as I understood them, he lacks entirely any necessary knowledge to deal with such matters.

Q. That was his suggestion?—A. I beg your pardon?

Q. That was his suggestion, that rather than using that— —A. Then I say that his theories on that point, as I understood them, in my opinion, prove to me that he is not at all competent for that purpose; and I do not think that he claims that he is, particularly.

Mr. McGEER: What it is is a shop; a machine shop used for emergency purposes.

Hon. Mr. STEWART: He was objecting to the location of this plant in the heart of a big city. He said it might well be located some other place and he mentioned Camp Borden or Petawawa or some of those places. He said they already had machine shops there.

Mr. McGEER: The Birmingham small arms plant is in a city. It is in the heart of Birmingham. Woolich arsenal is in a city.

Hon. Mr. STEWART: That is what they are trying to get away from.

Mr. McGEER: No.

Hon. Mr. STEWART: That is why they are coming over here, to get away from that sort of thing.



Mr. McGEER: Oh, no. If anybody thinks that Canada is going to be bombed by airplanes, it will be after the British fleet goes down, which will be some considerable time.

Hon. Mr. STEWART: I hope so.

Mr. McGEER: I mean, for Colonel Drew as an expert to say—

Hon. Mr. STEWART: He said it in another way, too; that it was much easier to guard it and protect it in time of war or anything like that.

Mr. McGEER: One of the objections to Valcartier as you know when you were in the government, was the tremendous cost which would be involved in setting up a new town for the people who were going to work in it. You know that R. B. Bennett and all the rest of the Cabinet at that time turned down Ashton and McNaughton and that group of public ownership men on the Valcartier proposition because they would not agree to the expenditure.

Hon. Mr. STEWART: They were not seriously considering it.

Mr. McGEER: They were considering the cost of putting up a new town at Valcartier.

Mr. GREEN: They were wise.

Mr. McGEER: They were wise enough not to stand for that type of unnecessary expenditure.

Mr. GREEN: Mr. Chairman, there are other questions we should like to ask, if this is going on. There are some other questions we should like to put to General LaFlèche.

Mr. McGEER: Let us get finished. Go ahead.

Mr. GREEN: If the committee is going to go on with the sitting now, there are some other questions.

The CHAIRMAN: Is it the wish of the committee to continue with General LaFlèche?

Mr. McGEER: I think what we should do is to get on so that we can come to a determination on the evidence before us and get our report in before this house adjourns, and they are ready to do so. I would move that we adjourn for that purpose now.

Mr. GREEN: Oh, you are trying to rush us as you did yesterday. You are not going to try that game again.

Mr. McGEER: There is no "rush act" about it. We know the house is going to prorogue and we know we are going to file an interim report. We want to file a report.

Mr. GREEN: Naturally; you probably have got it in your pocket right now.

Mr. McGEER: No, that is not right. That is another one of my hon. friend's misstatements of fact, with utter disregard for the truth. He has no more regard for the truth than Colonel Drew had.

Mr. GREEN: We are all liars but you.

As I explained last night, Mr. Chairman, there are other witnesses that should be called if this investigation is going to be properly completed. That has got to be done before the hearing is properly concluded. We let General LaFlèche step down in order that Mr. McGeer might spend five minutes with Major Hahn. That was several hours ago. If the committee is going to go on sitting, we want to have the opportunity to continue with the cross-examination of General LaFlèche.

Mr. BERCOVITCH: I move that this committee do now adjourn for the purpose of considering the report.

Mr. McGEER: The interim report.

Mr. BERCOVITCH: The interim report, of course.

[Major General L. R. LaFlèche.]

Mr. McPHEE: I will second that.

The CHAIRMAN: Gentlemen, you have a motion before you.

Mr. MACNEIL: The motion is debatable because the mover of the motion has included the purpose for which to adjourn. I associate myself with Mr. Green, that before we proceed to a consideration of even an interim report there is certain essential evidence that must be considered. We now have General LaFlèche on the stand, and as you know Mr. Chairman, there are certain important points with which he has dealt which should be corroborated from other sources—we should hear General Ashton, and we wanted Captain Jolley recalled to get certain further evidence from him—Mr. McGeer I understood was going to call Mr. Jolley back to the stand to prove certain things.

Mr. GREEN: I raise a point of order on this matter; it was distinctly agreed that when Major Hahn was put on the stand we would be allowed to go on with General LaFlèche when Hahn was finished. We were not through with General LaFlèche and now Mr. McGeer and Mr. Berovitch, while they may not have intended their motion to be closure, they are putting a motion which will have the effect of precluding us from obtaining any further evidence from General LaFlèche. That is another case of the gag which was tried yesterday.

Mr. McGEER: Mr. Chairman, I insist that that be withdrawn; and my reason for insisting that that be withdrawn is this, we have a motion before this committee that we adjourn to consider an interim report. There is no suggestion of closing the committee, and when the hon. member states that the mover of that motion is applying the gag, he should be called upon to withdraw.

The CHAIRMAN: I rule that the hon. member's point of order is well taken.

Mr. GREEN: I will withdraw what I said in that respect.

Mr. McGEER: That is only a qualification, that is not a withdrawal; I ask for a complete withdrawal.

The CHAIRMAN: I suggest to my hon. friend (Mr. Green) that I am sure he does not want to even leave the impression that his phraseology originally conveyed, I am quite sure he will bear with me and withdraw what he said.

Mr. GREEN: I will withdraw the word gag, but—

Mr. McGEER: Without any qualifications; now.

Mr. GREEN: The effect of this resolution is to prevent us from bringing out our side of the story from General LaFlèche, and it is quite unfair that that should be done.

Mr. McGEER: You have been examining him for months.

Mr. GREEN: No, we have not had this investigation going on for months. General LaFlèche was called, and before he got through with his evidence he made certain statements and then Mr. Hunter and Col. Drew were brought down from Toronto, and they have been on practically all week, and we have had no opportunity to conclude with General LaFlèche; and after all, he is probably the most important witness of all who has been before the committee or can be called before this committee, because he is the head of the defence department and has knowledge of these different facts that are involved. For instance, we have had no chance yet at all to ask him in connection with the question of the manufacture in government arsenals. I had questions ready to ask last night, but somebody else got ahead of me and I was not able to go on with them. I think the motion is out of order.

Mr. McGEER: It is not my motion, leave me alone; I am not in this.

Mr. McLEAN: What is the motion?

Mr. McGEER: The motion is that we adjourn to consider an interim report on the evidence before us.

Mr. McLEAN: A motion to adjourn is not debatable.

Mr. GREEN: It has a tail on it.

Mr. McGEER: We have not moved a motion to adjourn, we have made a motion to adjourn for a purpose.

Hon. Mr. STEWART: Would you give me a copy of report No. 1, please, Mr. Chairman?

Mr. McGEER: Who are you talking to, me?

Hon. Mr. STEWART: No, I am asking the chairman to pass me a copy of the report.

Mr. Chairman, I assume we are debating the motion now, not a simple motion to adjourn, which of course is always in order, but a motion to adjourn for a specific purpose.

Mr. McGEER: An essential public duty.

Hon. Mr. STEWART: Well, now, that is my hon. friend's opinion; we are all as deeply sensible of what is our sense of public duty as the member who has just spoken.

Now, let us go back to the beginning of this thing and see if we can see where we are and how far we have progressed. The order of reference will be found at page one of our proceedings. It is dated Monday, February 13, 1939, and it reads as follows:—

*Ordered*,—That a copy of the agreement between the government and the John Inglis Company of Toronto, for the manufacture of Bren machine guns, the report of the Royal Commission dealing with the said agreement, and all related documents, evidence, vouchers and exhibits, be referred to the Standing Committee on Public Accounts.

I submit that is a very important, very wide, and very comprehensive reference. It covers the report of Mr. Commissioner Davis and all the related documents and the evidence in connection with it. Now, the report of the commissioner makes certain findings. I am inclined to think that possibly we might well have adopted a different course from the one which we have pursued when we were starting this inquiry; I think that we might well have picked the matter up where the commissioner left off.

Some hon. MEMBERS: Hear, hear.

Hon. Mr. STEWART: And that we might have dealt with the matters which were referred to in his report as being subjects for the consideration of parliament, and for the determination of policy. Now, no such course was adopted. It has been wide open, and in the absence of any specific reference or any adherence to the reference I submit, Mr. Chairman, that there is nothing at the present time upon which you as chairman could rule, or that we as members of the committee may say that all the evidence has been adduced; that we have completed our task, or that we are in a position at this stage to report anything. We can report the evidence of the proceedings before this committee.

Mr. McLEAN: You can do more than that.

Hon. Mr. STEWART: You can do anything if you want to. You should not do anything until you are in a position to do it regularly, properly and in a complete fashion.

Mr. McLEAN: Hear, hear.

Hon. Mr. STEWART: That is my contention. Now, Mr. McGeer at one stage, and I think I still see in the motion of my friend Mr. Bercovitch possibly the same objective; Mr. McGeer yesterday took the position that we should make an interim report dealing with the charges against Major General LaFlèche, Deputy Minister of National Defence, and the charges, as he so called them, against the Minister of National Defence?

[Major General L. R. LaFlèche.]



Mr. McGEER: And the contractor.

Hon. Mr. STEWART: All right.

Mr. McGEER: And the British war office.

Hon. Mr. STEWART: What I submit again, and what I submit with the greatest confidence, is this: That you will search that reference in vain and everything that was said in connection with it in the house for any instructions or authority to this committee to deal with charges against Major-General LaFlèche or the Minister of National Defence. Mr. Chairman, we were not set up for any such purpose. The well-known authority and scope of investigation of a public accounts committee is to deal with expenditures of public money and with everything that relates to them. Where do we find any authority to deal with what may be said to be a charge against Major General LaFlèche?

Mr. BERCOVITCH: That is not my motion.

Hon. Mr. STEWART: I am saying what I think is behind the motion in view of what has been said.

Mr. BERCOVITCH: Let me assure the honourable gentleman that is not my motion.

Hon. Mr. STEWART: I accept, of course, at once his statement but his colleague has not disclaimed any such intention.

Mr. McGEER: Mr. Chairman, might I subscribe to exactly the same sentiments as Mr. Peter Bercovitch and assure Mr. Stewart that there is no such intention. Let me go a bit further and say there is no such justification for any such assumption on his part.

Hon. Mr. STEWART: Except your words yesterday which were very clearly stated and which you qualified to-day. That is all I am going on. He said yesterday, Mr. Chairman, that this committee should bring in a report—

Mr. McGEER: An interim report.

Hon. Mr. STEWART: An interim report dealing with the charges against General LaFlèche and the Minister of National Defence.

Mr. McGEER: And I still say so.

Hon. Mr. STEWART: There you are. We are back on it again.

Mr. McLEAN: Do you say we should not?

Mr. MacNEIL: Mr. Stewart has the floor.

Hon. Mr. STEWART: I think you do not understand my position exactly.

Mr. MacLEAN: I think I do and that is exactly why I am asking the question. Does Mr. Stewart think this committee should not bring in an interim report in the last hours of the session?

Hon. Mr. STEWART: I will make my position perfectly clear before I get through, if I have not already done so. My first position is that any such suggestion as that is entirely outside the scope of our reference; that the investigation has not been conducted along the lines of trying a charge against Major-General LaFlèche or the Minister of National Defence.

Mr. McGEER: You say there are no charges against either of them?

Hon. Mr. STEWART: I think there are no charges before this committee against them or referred to this committee by the house.

The CHAIRMAN: Order, gentlemen. I should like to draw my honourable friend's attention to the fact that the reference covers and embraces Mr. Justice Davis' report which reads as follows:—

Having fully weighed the objection advanced on this ground, as well as the weighty consideration brought to my attention by counsel that the rights of the individuals interested in the contract might become the

subject of legal controversy elsewhere, I have come to the conclusion that it is inexpedient to comment upon the evidence in respect of its bearing on the contract of the individuals concerned.

Then the Honourable Mr. Justice Davis sets out the facts and states that parliament should deal with them. Then parliament, under the resolution of Mr. MacNeil, referred the whole matter back to this committee.

Hon. Mr. STEWART: Well, Mr. Chairman, your statement as to the statement of the commissioner is perfectly correct, but under the Public Inquiries' Act the commissioner had no authority whatever to investigate charges or alleged charges of misconduct, if there were any, against the officials. He is prohibited from doing that, and counsel for the government took very good care to draw to the attention of the commission that he had no such authority.

Mr. McGEER: No such charges.

Hon. Mr. STEWART: He had no such authority.

Mr. McGEER: No such charges.

Hon. Mr. STEWART: They were not trying the charges at all, they were trying the contract and the circumstances surrounding the contract. Neither has this committee any more authority than the commissioner had to deal with Major-General LaFlèche or with the Minister of National Defence or to make any report, no matter what its views may be in connection with these matters. It would be a piece of impertinence, it would be entirely unparliamentary, it would be irregular and, I am sure, would be the subject of discussion in the house and ample grounds for rejection of any such report.

I want further to say that as far as I know we have not—

Mr. McPHEE: Will you permit a question?

Hon. Mr. STEWART: Yes, certainly.

Mr. McPHEE: If Mr. Justice Davis was not trying these men, why did he put this in his report:—

I think it right to say that there is no evidence (nor is there in the evidence any ground for suspicion) that the Minister or the deputy minister or any officer or official of the Department of National Defence was guilty of any act of corruption or anything in the nature of corruption?

Why did he say that if these men were not on trial?

Hon. Mr. STEWART: They were not on trial.

Mr. McGEER: Why did he write a verdict of "Not guilty"?

Hon. Mr. STEWART: Of corruption. That is an entirely different thing from what has been suggested as to whether the contract is a sound one, whether it is a businesslike contract and whether it is in the public interest.

Mr. McGEER: Drew said, "I reiterate the charges made before the Davis commission."

Hon. Mr. STEWART: Whatever charges Drew made, if you choose to call them such, were not referred to this committee for trial.

Mr. McGEER: He reiterated them again before this committee. That brought them into us.

Hon. Mr. STEWART: That may be so. He made it perfectly clear that he was dealing with this not in the light or in the nature of a charge against Major-General LaFlèche.

Mr. McGEER: He suggested he should be dismissed.

Hon. Mr. STEWART: His article was not written on that basis at all.

Mr. McGEER: It was written on the basis that he ought to go to jail.

[Major General L. R. LaFlèche.]

Hon. Mr. STEWART: The article was written on the basis of trying to clear up this question of the manufacture of arms in a government arsenal or under a contract such as this with all its possibilities of stock manipulation.

Mr. McGEER: No, the article was not written for that purpose.

Hon. Mr. STEWART: That is what he said.

Mr. McGEER: The article, as it showed, was written purely for political purposes to help him into leadership of the Tory Party in Ontario.

Mr. MacINNIS: He did not say anything of the kind.

Mr. McGEER: He admitted that to me, I thought.

Hon. Mr. STEWART: He absolutely denied any such motive or purpose.

Mr. McGEER: But he admitted facts from which that was the proper inference to be drawn.

Hon. Mr. STEWART: He did not make any admission.

Mr. McGEER: Let me put this to you—

Hon. Mr. STEWART: Please let me finish.

Mr. McGEER: The first thing he did when he became leader was to take the Bren gun and make that the subject of his first political speech. That was his political baby.

Hon. Mr. STEWART: Oh, no. Colonel Drew shows clearly that for a long period of years he had been interested in militia matters.

Mr. McGEER: He had been trying to advise the Department of National Defence and they would not take his advice.

Hon. Mr. STEWART: Mr. Chairman, will you please ask the honourable gentleman to keep somewhere within the rules of order. We have the same rules in this committee as we have in the house.

Mr. McGEER: You can have interruptions in the house.

Hon. Mr. STEWART: The Speaker stops them unless they ask questions.

The CHAIRMAN: Order.

Mr. McGEER: But never if they are good-natured and helpful.

Hon. Mr. STEWART: They are good-natured but they are not helpful. There has been an effort in this committee, Mr. Chairman, to make a set-up that Col. Drew set out for some political purpose to write this article.

Mr. McGEER: And got it.

Hon. Mr. STEWART: There is another interruption that is not helpful.

Mr. McLEAN: There is no dispute about that.

Hon. Mr. STEWART: There has been that suggestion or allegation.

Mr. McGEER: An admission.

Hon. Mr. STEWART: No, absolute denial. That is the record.

Mr. McCANN: Ask Earl Rowe what is the record?

Hon. Mr. STEWART: Ask some of your members what they think of their leader too.

What I was trying to say was that this article was written by Col. Drew, not as an isolated article, but as one of a series he had written for years on armament matters, and on matters connected with the militia, with which he has been actively identified, and interested in matters of this kind long before he had anything to do with the political arena at all. And he went on and he showed just what he had done in that connection. And this article that has been the subject of such vigorous comment and cross-examination by my friend Mr. McGeer was, as I have said, not an isolated article at all. It was not the first; it is perhaps not the last, there may be others; but it was simply one of many



that this distinguished soldier, this gentleman thoroughly familiar with the history and the background of matters connected with the national defence of this country, as a member of associations—different associations—

Mr. McPHEE: And acquainted with the secrets of the war office?

Hon. Mr. STEWART: I suppose he is as well acquainted as my hon. friend is—quite as well as my hon. friend is.

Mr. McGEER: To divulge anything surely is treason.

Hon. Mr. STEWART: That has been thrashed—that straw has been thrashed and thrashed and thrashed, and there is nothing in it.

Mr. McPHEE: Take his own statement before the committee, that the guns were some antiquated museum pieces made during the war, and should not be fired because there would be a fear of blowing them up; that they should be kept as relics of the great war.

Mr. MacNEIL: That is nothing new.

Hon. Mr. STEWART: I do not think it is any secret at all, because these matters have been referred to from time to time in the press. But what I am getting at is that those who cross-examined Colonel Drew, particularly my friend Mr. McGeer, endeavoured to attach to this article a sinister motive; he endeavoured to tear it apart from all its surroundings, from all its associations with other articles and with the activities and the work of Colonel Drew.

Mr. McGEER: I suggested it should have been fumigated.

Mr. McLEAN: Do you suggest it should have been connected with other activities of Colonel Drew?

\* Hon. Mr. STEWART: It should have been placed in that category; but, unfortunately, the deputy minister of national defence seemed to be anxious to draw all the lightning to himself. He seemed to rush in and assume all the responsibility when there was no effort to place all the responsibility upon him at all. Colonel Drew made that perfectly clear that the main responsibility for this was on the minister of national defence, and not upon the deputy minister, and that if the deputy minister finds himself in some respects in possibly an embarrassing position—

Mr. McGEER: No, he does not; don't worry.

Hon. Mr. STEWART: —it was because of his desire to support the policy of the minister. Now, what I say is this—

Mr. McGEER: The evidence denied that.

Hon. Mr. STEWART: This article has been injected into the investigation in this committee entirely and largely beyond the scope of this reference—that it has been pictured and painted and held up as the act of a traitorous man, the act of a malicious man, the act of a man who had anything but the public interest in mind, and that it was done simply for political purposes—

Mr. McGEER: Hear, hear, no question about that.

Hon. Mr. STEWART: That confirms the accuracy of my statement that that is the attempt that has been made. But what I do say is that when you take the record, the history of this man and his activities in his associations and his knowledge and his writings on other subjects that could not be open to any such interpretation—

Mr. McLEAN: They are not before the committee.

Mr. McGEER: Is his record any better than General LaFlèche's, the man he is attacking?

Hon. Mr. STEWART: He says he is not attacking General LaFlèche. He says he was not.

Mr. McGEER: Why he attacked Major Hahn as a scoundrel and a fraud.

[Major-General L. R. LaFlèche.]

Mr. AHEARN: He said his evidence was not to be believed.

Hon. Mr. STEWART: He pointed to Major Hahn and said: That is where the fraud came from.

Major Hahn is not on trial before this committee any more than the two others I have mentioned, and this committee has no jurisdiction whatsoever to make any finding with respect to the conduct of Major Hahn or to the conduct of Colonel Drew or to the conduct of Major-General LaFlèche, and much less the conduct of the minister of national defence.

Mr. McGEER: What in the world would the committee do?

Hon. Mr. STEWART: The committee would take up this investigation where the judge left off, and would say whether this was a good contract, whether it was properly negotiated, whether proper precautions were taken, whether it is in the public interest that this plan of manufacture of armaments should be followed.

Mr. MCPHEE: Were you not on the steering committee?

Hon. Mr. STEWART: Yes.

Mr. MCPHEE: Do you know the members of the steering committee?

Hon. Mr. STEWART: Yes.

Mr. MCPHEE: At the meeting of the steering committee we outlined procedure, and what witnesses were to be called.

Hon. Mr. STEWART: We did not outline any procedure at all; all that the steering committee ever did—the steering committee never laid down any policy as to what lines the investigation should take. All the steering committee did was to meet from time to time and decide for a day or for the future what witnesses should be called. The steering committee would have no authority to lay down any lines upon which this general investigation should be conducted. That would be for this committee itself, and this committee not having done that has just gone along taking such evidence from day to day and time to time as they thought necessary. Now, I do submit, Mr. Chairman, that we have to face realities; we must face facts; we must deal with this suggested motion on the basis of parliamentary authority, parliamentary procedure, of sound practice in the light of what we have been doing here for these weeks, and there is nothing yet upon which this committee can reach any final conclusion, nothing upon which this committee can make an interim report until all the witnesses that we desire to call are called and heard before this committee. You cannot make a report, an interim report, and deal with a matter that is not finished, that is not complete, upon which all the evidence has not been presented.

Mr. Chairman, this is a sort of a court. Did you ever hear of a judge making a decision before all the evidence was in? Did you ever hear a judge asking a jury to give a verdict until the last bit of evidence was heard, until counsel had a chance to present their argument, to review the whole situation, and to present everything that ought to be said? We are exactly in that position here to-day and I do submit, Mr. Chairman, that the suggestion that this committee should even consider the making of an interim report is futile; it is irregular; it is contrary to precedent; it is contrary to all the practices and principles of the administration of justice, and I say absolutely without jurisdiction.

Mr. McCANN: May I ask a question?

Hon. Mr. STEWART: Yes.

Mr. McCANN: Do not all the parliamentary committees of the house make interim reports?

Hon. Mr. STEWART: They do on some things that they have finished. My contention here, Mr. Chairman, is we have not finished anything. Parliamentary committees make reports from day to day on certain bills that they

have heard. They are constituted for the session and when they have dealt with certain bills and dealt with them finally they report the bill, but you have never seen anything like what is suggested here. For instance, take the radio committee's report. They made their final report.

Mr. McCANN: What about the civil service committee? They made an interim report from time to time.

Hon. Mr. STEWART: Not that I know of.

Mr. McCANN: I beg your pardon, I was on it.

Hon. Mr. STEWART: I was on the civil service committee last session and they never made a report until they had finished their work and made the final report. And they made a final report this year.

Mr. GLEN: You are thinking of two different things. Dr. McCann is thinking of the superannuation committee.

Mr. McCANN: We made an interim report.

Hon. Mr. STEWART: They made a final report, because, as I have said it must be on the basis that they have dealt exhaustively and completely with the subject on which they report. I submit we have not dealt exhaustively and completely with anything that has been referred to us.

Mr. McLEAN: On a point of order.

Hon. Mr. STEWART: It is 6 o'clock.

Mr. McGEER: I was up before you got up.

Mr. McLEAN: No, you were not.

Mr. McGEER: I was up when a question was asked by Mr. Stewart and I sat down.

Hon. Mr. STEWART: It is 6 o'clock, Mr. Chairman, the clock on the tower says 6.

The CHAIRMAN: We have a debatable motion before this committee. I presume other members wish to speak on it. I suggest we adjourn until 8 o'clock.

Mr. McGEER: 8.30.

The CHAIRMAN: What is the wish of the committee?

Some hon. MEMBERS: 8.30.

The committee adjourned at 6.05 p.m. to meet this evening at 8.30 p.m.

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## EVENING SESSION

The committee resumed at 9 p.m.

The CHAIRMAN: Gentlemen, if you will come to order we shall proceed. When we adjourned at 6 o'clock there was a motion before the committee as follows: "Moved by Mr. Bercovitch that this committee do now adjourn for the purpose of considering an interim report."

Mr. McGEER: There was a point of order raised as to whether that motion was in order, which was under debate at the moment, on which Mr. Stewart spoke. In any event, my reason for thinking the motion is in order and that it should be passed is that on the reference we had referred to us the Davis commission report and the evidence and documents and everything else relating thereto were included; and I understood, whether rightly or wrongly that some of the matters that were pertinent to this committee's consideration were these matters that have been indicated in the report as being matters that should be dealt with by the committee and parliament. The first one to which I refer is found on page 10 of the report and reads as follows:—

[Major-General L. R. LaFlèche.]



Whether these Bren guns should be produced by the government in a publicly owned and operated factory or should be obtained through private manufacture is undoubtedly a matter of administrative policy for the government and parliament and is a question which is not open to me under the commission.

The next one is found on page 50 of the report and reads as follows:—

It is at least a plausible view that the question whether tenders should be called for in such a case is a matter of administrative policy, upon which competent opinion is, or may well be, divided, and one therefore peculiarly for the government and parliament.

The next one is on page 49 and is as follows:—

It is important, of course, that the contract be a good and business-like contract; but what is more important after all is whether the procedure adopted in making the contract was that best calculated to protect the public interest and to secure the confidence of the people of Canada that there would be no improper profiteering in the private manufacture of war armaments for the defence of the country.

That is a question upon which the government and parliament in the light of the evidence brought before the commission, must pass.

The fourth is:—

No substantial objection can be taken in my view to the provisions of the Canadian contract, though in the absence of any competitive bids or terms of manufacture I am unable to pass upon the substance as distinct from the form of the contract.

The next one is:—

Having fully weighed the objection advanced on this ground, of no charges having been formulated . . .

and may I say the words “no charges having been formulated” are put in here as an explanation of the words “on this ground.”

Having fully weighed the objection advanced on this ground, as well as the weighty considerations brought to my attention by counsel that the rights of the individuals interested in the contract might become the subject of legal controversy elsewhere, I have come to the conclusion that it is inexpedient to comment upon the evidence in respect of its bearing on the conduct of the individuals concerned.

The facts are all in evidence; and as said by government counsel in opening their argument “So far as the facts are concerned there are very few which are even in dispute.” I cannot myself recall at the moment any fact to which direct proof was adduced that is in dispute. It will be for those charged with the responsibility of dealing with the facts, i.e., the government and parliament, to examine and study them and to take such action, if any, thereon as they may see fit.

That is on page 35.

Now the situation with reference to the last point I think is peculiarly pertinent because in the course of my examination of Colonel Drew at page 1151 of the record the following took place:—

*By Mr. McGeer:*

Q. All right, but what I am putting to you is a matter with which I think it is the duty of this committee to deal. Do you now repeat the charges against LaFlèche that, throughout the public inquiry in which you took part before the Honourable Henry Hague Davis, LaFlèche's evidence was not to be believed?—A. Yes.

Q. What?—A. I repeat the words that I used there.

Q. Then you repeat the charge here to-night and I will read it to you so that—A. I say that the evidence is not to be believed, and if you read the evidence you will find the specific instance I give, that it is impossible to accept evidence which conflicts with the earlier evidence given by himself.

Q. "I submit that from the beginning to the end LaFlèche's evidence is not to be believed. The evidence he gave is in direct conflict with what has been shown by the records and by the evidence of other witnesses." And there is no limitation on that. You say, "I submit that from the beginning to the end LaFlèche's evidence is not to be believed." I presume that you would say the same thing here to-night and repeat the charge and say that it has not been dealt with by the commissioner who conducted the Royal Commission on the Bren gun contract.—A. I say that the commissioner has most emphatically refused to deal with whether proper steps were taken to protect the public in this case, and that is an incident of that finding as well as of the finding in regard to the conduct of the individuals.

Q. And the charge against LaFlèche still stands?—A. As it does against Mackenzie and Hahn and those who were a party to this.

Hon. Mr. STEWART: Might I ask one question? Mr. McGeer is asking the witness what position he took as counsel. Would it be irrelevant to say what position government counsel took with regard to the finding on these questions?

Mr. McGEER: We have already said that and he has referred to it and read it.

The WITNESS: The government counsel took the most emphatic stand, that there could be no finding in regard to the individuals.

*By Mr. McGeer:*

Q. You make the same charge with regard to the contract being born in sin—A. Conceived in sin.

Q.—conceived in sin, born in iniquity and cloaked in fraud?—A. I do.

Mr. GREEN: Read the next two questions.

Mr. McGEER:

*By Mr. McGeer:*

Q. Do you say that a man who had been associated with a contract in that way was not charged with corruption?—A. I most certainly do. We have all been associated with that contract.

Q. You do not mean that, surely. You know these men who are going to deal with your evidence, Colonel Drew, are ordinary members of parliament, it may be true, but they can all understand.—A. And I hope they can keep closer to the facts than you have in your questioning. The fraud I referred to was fraud in connection with the contract by Hahn, both the contract and the subsequent sale of stock. That is the fraud. As for the expression that it was "conceived in sin," if you wish to take the analogy, that started with the mistatement by Mr. Hugh Plaxton on August 24, 1936, when he spoke to the Prime Minister about these friends of his with their plant, and it was born here in Ottawa following an evening at the Rideau Club under circumstances which have been fully outlined in the evidence.

Q. As a matter of fact, you believed that this was a fraudulent, corrupt contract when you wrote the article?—A. I told you yesterday

quite clearly I thought it was a bad contract. I found out it was a fraudulent contract, an extremely fraudulent contract, when I heard the evidence before the commission.

Mr. GREEN: Read the next one.

Mr. McGEER: Just a minute. Why do you want that?

Mr. GREEN: It explains that question you just read.

Mr. McGEER:

*By Mr. McGeer:*

Q. And you gave that impression out to the public in your article?—

A. No. Don't again put words in my mouth. You don't seem to be able to remember. I just told you at the time I wrote the article I thought and said it was a bad contract, and I am telling you now that having heard all the evidence I go further and say that it is a fraudulent contract so far as Hahn is concerned.

Hon. Mr. STEWART: That is it.

Mr. McGEER: That does not, of course, limit it to Hahn; because a man cannot write out a charge against another man and then give it his own interpretation. What he did say was this in his charge to Henry Hague Davis, when he asked for a finding there. He said, "I ask you to find, Mr. Commissioner, that this contract was conceived in sin, born in iniquity and cloaked in fraud." That, of course, as he now repeats before this committee, must be a fraudulent contract. The evidence is that the deputy minister, from his own evidence, recommended this contract to the Minister of National Defence. The evidence of the Minister of National Defence is, "I cannot take any credit for this contract, because it was all done by the officials for whom I have the highest regard and respect; and while I take full responsibility for the contract, I cannot take credit for it because it was negotiated and recommended to me by my officials." Here we are faced with this rather difficult situation. Here is a contract described by a responsible man as a fraudulent contract; but at the very time he made the charge of fraudulent contract, he asked the commissioner to find that LaFlèche, who was responsible for it, had been unbelievable in his evidence from beginning to end. We all know that there is always the question of whether you should believe a witness or not. There are many circumstances where witnesses tell what is not to be believed and what is not true, but they are not guilty of perjury or guilty of uttering a false oath. But to say that a man in the responsible position—and eminent position; but I say responsible position—that the deputy minister is in with reference to this contract, has given evidence which from beginning to end is not to be believed, you must be faced with not merely a matter of a mistaken statement of fact or error in judgment with reference to conclusions as to fact. But when you put the bank of belief on his evidence over a period of nine days and ask a commissioner to find that from beginning to end it may not be believed, I believe that you have got to consider whether or not that statement of fact is true. If you find that it is true, then I think you would find that there must be guilt of uttering a false oath. Of course, there is a difference between perjury and a false oath. Perjury is a crime committed in a court while a false oath is the crime of making a statement which is untrue under an oath that is not in a court tribunal.

Now what I want to say is that another thing developed in connection with the taking of evidence and that was that LaFlèche accused those who started this inquiry with being liars, with being traitors and selling out the country. We have had it in evidence in this committee that the people who started this inquiry were, first, the man who wrote the article in Maclean's magazine and the publisher of that article. They, of course, accepted that challenge and came before us; and the very first thing we find in the evidence submitted to us—



that is, the article itself—is the statement put in by the editor note, namely, “the following article went to press on August 9. The author’s statements are based on departmental records as of August 5.” There is no qualification of that statement. It was written with the intention of convincing the reading public that the statements in this article were based on departmental records right up to within four days of the time the article was published—from the 5th day of August to the 9th day of August.

Mr. BROOKS: Provincial records.

Mr. McGEER: No, it does not say so. You can find “provincial records” only in Colonel Drew’s mouth. Here is what the article states: “The author’s statements are based on departmental records as of August 5.” Colonel Drew said, “I take no responsibility for the editors comment. I do not know that I even saw it.” But what I am saying to you is this, that the editor who put that note in there made a statement that could not be supported by the author because when I questioned him about the first statement I said, “That statement is based on what departmental record?”

Mr. BROOKS: And as a result, he is a liar and a traitor, is he?

Mr. McGEER: Oh no. But as a result, the article starts with a lie. That no one can deny. Then I take it that throughout the article General LaFlèche has put out several charges. One that I draw any member of this committee’s attention to, namely, is that the stock which was being sold had no value other than that given to it because the Minister of National Defence was buying Bren guns from this company with public money.

Mr. GREEN: It had mighty little value.

Mr. McGEER: You say so.

Mr. GREEN: You know that as well as I do.

Mr. McGEER: This man has said, “I was not interested in telling anything but the truth.” We are interested in knowing whether General LaFlèche was justified.

Mr. DOUGLAS: You do not mean what you said a moment ago, do you? You said General LaFlèche had made several statements in the article. You meant Colonel Drew?

Mr. McGEER: I should like to have that corrected to read Colonel Drew instead of General LaFlèche.

From beginning to end this article has given us evidence that it was written by a man who was thoroughly incensed against the Department of National Defence, and published by a group of men who felt that the public should be advised that the Department of National Defence should be wiped out for fraud and corruption.

Mr. GREEN: You have a hard time finding anything wrong with this article.

Mr. McGEER: I have a hard time to find anything wrong with it, my friend interrupts; and I say that even in a place where they have no regard for truth whatever this article, in the light of the evidence that has been before this committee would be cheered as a perfect production of something to be admired by those who disregard the truth and have regard for falsity.

Mr. GREEN: You spent three days trying to point out mistakes in it.

Mr. BROOKS: You spent three days with Drew and came out decidedly second best.

Mr. McGEER: I would hate to be in a place where you were refereeing anything for your home town.

Mr. BROOKS: I have done it; and I have played for my home town.

Mr. McGEER: Yes, and it is a pretty small place, I would judge, from your conduct in Ottawa.

Mr. BROOKS: Not as small as you might think.

The CHAIRMAN: Order, gentlemen, please.

Mr. McGEER: What I am pointing out to this committee is that we have had this evidence before us, and it is a matter that we should deal with.

The next thing that I want to draw to your attention is the incentive clause. If ever there was an article written and designed to indicate a spurious fraudulently opened gateway to profits in excess of those which were fixed in the contract this article was designed to do it.

Mr. GREEN: And that clause resulted in a letter being taken from Hahn to remedy it.

Mr. McGEER: What I wanted to put to the committee is this, that when we get the arch conspirators on the stand they say we don't want that in—it came from the interdepartmental committee who only adopted it when they were told that the British War Office were including that in their contract and therefore it should be in ours; notwithstanding that, however, there was no increase in the over-riding profit limit; and that has not been denied. Unless you are willing to find that LaFlèche lied to this committee about that you have got to accept it and it has not been disputed. If they do accept it it brands the incentive cause as a most dastardly misstatement against the Department of National Defence and a most despicable method of not improving our national defence, not helping the defence of the British Empire, not helping the defence of Canada; a most despicable attempt to ride into political favour at the expense of somebody traduced by untruth. Now, let me refer to this very ingenious but thoroughly fraudulent presentation of the companies. They are all dressed up as though there was some great fraud in that regard. When we go to the Securities Commissioner of Ontario we find a letter on file which first says that Hahn and his hand over of the shares of the old John Inglis Company to a man by the name of Nurse who was their representative, not their dummy.

Mr. GREEN: Pretty close to it.

Mr. McGEER: I have been a dummy thousands of times.

Mr. MacINNIS: That does not say that you are dumb.

Mr. McGEER: My friend surely does not mean that I am not engaging in a perfectly legal practice.

Mr. GREEN: Certainly not.

Mr. McGEER: Here is what we had, a group of men going to incorporate a company. There is a trustee appointed to take possession of the assets and turn them over to the company when it is formed. That is all that was done here. Then, the fact that Hahn and his associates got 191,000 shares of vendor's stock is on record in the office of the Securities Commissioner, and the other 58,000 shares, making a total of 250,000 shares issued by the company is shown by these same Ontario records in the Department of the Securities Commissioner and those shares are shown to have been subscribed for at the rate of \$6 a share by Hahn and his associates.

Mr. BROOKS: That is, the 58,000 shares.

Mr. McGEER: I am dealing with that, Mr. Brooks. This whole story was presented to the public to indicate that you did not know what Hahn and his associates were doing with the stock; not one word about the records of the Securities Commission was put on the record, but a long story referring to the provisional directors as the directors of our new armament company. Now, I want to go a little bit further. In his statements the deputy commissioner has said more, and we have got the other side of it, Mr. Chairman.

Mr. GREEN: You said, the deputy commissioner.

Mr. McGEER: I meant the Deputy Minister of National Defence. The Deputy Minister of National Defence has said this, and has said it on the

responsibility of the position he holds; that the statements given out about our situation and about the standard of guns in the British War Office was in violation of the obligation of secrecy that Colonel Drew had.

Mr. GREEN: You forced it out.

Mr. McGEER: There it is in the article.

Mr. GREEN: We said the same thing in the house about rifles.

Mr. McGEER: We have Col. Drew on that. I am not professing to ask you to take my say on the thing.

Mr. GREEN: No, you had better not.

Mr. MACNEIL: General LaFlèche did not prove that on the stand, he gave no reason.

Mr. McGEER: He said it on his own responsibility. In any event the King's Regulations and Orders cover that.

Mr. BROOKS: When did you read the King's Regulations?

Mr. McGEER: A great many times.

Mr. GREEN: Well, you did not read them during the war.

Mr. McGEER: Yes, I did. What I was coming to is this, General LaFlèche made these charges against this man, the traitorous things in this article—now, I cannot believe that in a contract of this kind we should have the face not to put the Department of National Defence in order; it is either right or it is wrong.

Mr. BROOKS: Do you think this committee can put it in order?

Mr. McGEER: I say that what we have before us is a duty to perform, and we should be willing to put it in order. I do not know that the other members of this committee will agree with me, but when a man writes an article for \$200 and joins up with a group of people who are spreading successful propaganda and goes into a violent form of that kind of thing, whether it is right or wrong, you have good reason to ask whether it was for a good principle or whether it was really a misguided program or a designed program for personal political aggrandizement. I do not know of any more sweeping condemnation that could come to a man who never prosecuted a case than only to charge fraud against the department.

Mr. GREEN: No, he did not charge fraud against the department, he charged it against Hahn.

Mr. McGEER: He charged that the contract should never have been entered into, that it was cloaked in fraud.

Mr. GREEN: Yes, but by Hahn.

Mr. McGEER: When it was cloaked in fraud it means that the fraud was all over. In any event, my friend now says, by Hahn—Hahn is a government contractor.

Mr. GREEN: We all know that.

Mr. McGEER: Whom our people have adopted and whom the British War Office have adopted. If the whole fraud is on Hahn then the Department of National Defence—that is, if there is any such kind of fraud that Drew has charged on Hahn then there is something terribly wrong in the British War Office and in the Department of National Defence. But what are the facts? Drew came before us and laid before us his reasons for charging fraud. He said this was not disclosed, that he tried to represent that he had a going concern plant, that the Department of National Defence had been deceived; the Deputy Minister of National Defence comes forward and says Col. Drew is wrong. He has assumed that not only on certain facts which he knew of; as a matter of fact he said, I knew all the facts; I knew the old company, I knew it was in liquidation, I knew it was closed down, I knew exactly what its position was with reference



to this contract, and I was not deceived at all. Then he says oh but Hahn committed a gross fraud against the British War Office; he didn't tell them this, he didn't tell them that. We put Hahn on the stand and Hahn says, I told them everything, everything; they went to my bank, my bank had been in negotiation with them, and my bank knew what I was doing with my associates for the company, I have discussed it with them; and then he says, before November, 1936 was over I learned that the British War Office had communicated with my bank and got particular information.

Mr. GREEN: He says he did not tell them who his associates were.

Mr. McGEER: Then in the consummation of the contract he consulted with them. I said to Col. Drew, normally would you not accept a reference from the Bank of Montreal, would you not accept a Dun & Bradstreet's report? What was his answer to me; he said, I would want a chartered accountant. Well, Mr. Chairman, in the normal procedure of checking up whether a man was in good standing or not you don't as a rule have to resort to the appointment of chartered accountants; that is carrying it pretty far.

Mr. GREEN: You agree with the financial statement that Hahn submitted?

Mr. McGEER: Absolutely, because there is nothing wrong with that statement. That is a statement which is issued by every company operating in Canada. It is a statement which shows the cost to the company for the assets they have, and every company in Canada pays for its assets, in the vast majority of instances, not by the payment of cash, but by the issue of share.

Mr. GREEN: Not by the issue of over \$1,000,000 watered stock.

Hon. Mr. STEWART: 76 per cent water.

Mr. McGEER: Not one cent of water in this company because if I buy \$250,000 worth of assets that are worth a replacement value in a going concern of over one and one-quarter million dollars, there is not water in that.

Mr. GREEN: There is a whole river.

Mr. McGEER: There is a value dollar for dollar on anybody's appraisal of assets behind that stock issue; and if there had not been that kind of security, the Securities Commissioner would never authorize the sale to the public.

Mr. GREEN: Perhaps there is the value with the Bren gun contract.

Mr. McGEER: No, not with the Bren gun contract. The Bren gun contract may or may not prove successful. It may be one of the liabilities of the company before they are through with it.

My friends smile, but they did not smile when Hahn put up \$207,000 of his own money. For instance, if he is one-quarter as efficient as Drew would like us to believe, he would have a hard time making any profit out of the company. He would lose the whole \$267,000 profit, and, in addition to that, because he could not do anything right, he would become bankrupt and lose his \$207,000 investment, which is absolutely ridiculous and absurd. If Hahn cannot make the John Inglis company stand up as a commercial enterprise, he has this one contract with the government to depend upon.

Mr. GREEN: And a good profit it is, too.

Mr. McGEER: Well, I do not know whether I am in a position or you are in a position to overjudge what the British War Office think are sound profits on this thing. I do know that it is a very difficult thing for anyone to calculate, but I am quite satisfied that when the British War Office advised the Department of National Defence that they were satisfied with this program of finance, it is pretty difficult to charge anybody with fraud, acting under the best advice there is in the world to-day with regard to that kind of matter.

Mr. GREEN: They did not know much about the stock set-up.

Mr. McGEER: They were not concerned about it because they were not concerned with the commercial enterprise of the John Inglis company. They were concerned with this department of the John Inglis company, namely, the Bren gun department. All they had to do with it, and, in my opinion, all we have to do with it, is the Bren gun contract. And we would be very unfair if we insisted on ignoring the assets of the Inglis company in its commercial side.

We, as parliamentarians, no matter which side of the government we are on, are anxious to see industry revived in this country. Surely we are willing to support any man who is willing to put up his money and take a concern which is down and put it back on its feet with, he said this afternoon, three hundred men at work to-day, and twelve hundred men at work inside of a year. Is that not the kind of thing to which we look forward?

Mr. GREEN: They would have been at work in any other factory.

Mr. McGEER: That may be so, but are you going to condemn this man for using his initiative and enterprise to achieve it? Are you going to condemn this man who did it? All you are saying about it is that someone else might have done it.

When you say that stock has been distributed improperly and then you can go to the official records of the government of Ontario and find out how that stock has been issued and who received it, and then paint the picture of a lot of companies to indicate fraud and deception, surely, Mr. Chairman, you have a matter with which you can deal.

The next point is this: When a man criticizes another man, condemning him as few have been condemned, we are going to sit in judgment on those two men. Are we not entitled to check closely the statements which the one man charges against the other to ascertain whether it is true or false?

Mr. GREEN: That is what we want to do, to hear more evidence.

The CHAIRMAN: The House of Commons bell is ringing, gentlemen.

Mr. MacNEIL: We have to go down Mr. Chairman.

Mr. McGEER: When you take a statement, such as I have just referred to, namely, that the stock being sold by these people had no value other than that given to it by a government contract, and find that the man who is making that statement knows that independently of the Bren gun contract altogether, when the assets of the John Inglis company were in the hands of a receiver, a court gave it under those circumstances, dead and inoperative, with no going concern and no capital behind it, a value of \$250,000, the statement is absurd.

Now, it is true that there was a mortgage of \$150,000 continued, but there was at least a value of \$100,000 in those assets when the company was dead and inoperative. Then Colonel Drew, when he made that statement against these men, knew that there was \$183,000—

The CHAIRMAN: Gentlemen, the bell of the House of Commons is ringing. The Mortgage Bank Bill is back from the Senate.

Mr. McGEER: But it is not passed yet?

The CHAIRMAN: No, they are just calling the house together.

Mr. McGEER: They will not prorogue for half an hour yet.

But this man makes the statement carelessly, recklessly or designedly. Can we not judge whether Drew made that statement deliberately, leaving out the statement that this stock had a lot of other things behind it besides the government contract from Canada? That statement is deliberately untrue

Mr. BROOKS: What were the other things?

Mr. McGEER: Canada pays all.

Mr. GREEN: It certainly does.

Mr. McGEER: What about the British government which pays one-third of the costs of the machinery which we own afterwards?

Mr. MACNEIL: He mentioned that in his article.

Mr. McGEER: No, but he makes another statement in the same article—"Canada pays everything." What I am showing you is this: That kind of thing goes when you are merely playing politics on the hustings, maybe, but it does not go when you are charging other men with fraud.

Mr. GREEN: He does not charge him with fraud in the article.

Mr. McGEER: No, but he says he found out it was fraudulent, and he never withdrew anything in the article. After that evidence was before us he says, "Oh, I knew how bad it was," and he comes in here before this committee and repeats the charges. Mr. Chairman, this committee cannot absolve itself from responsibility by saying there are no charges now, because he said, "while I did not make any charges in the article, I found out afterwards from the evidence that there was fraud, and I repeat the charges that I made in the commission, which led me to believe the whole contract was fraudulent."

Mr. MACINNIS: Did not the commissioner say there were no charges?

Mr. McGEER: No, there were no charges formulated. What you have got is this: you can charge by innuendo and you can charge by suspicion, but when you come to formulate a charge in a court with which a court can deal you have not only to define the crime committed, but you have also to give notice of the person charged. We did have notice of the charge that was going to be made here, and it was formulated here, because charges that were formulated in submission to the commissioner of the Bren gun inquiry were made here.

Mr. BROOKS: Will you say they have not to give evidence to formulate charges in a court?

Mr. McGEER: No, I say that counsel summarizes the evidence, formulates charges, and can repeat them afterwards.

Mr. MCPHEE: Why did the judge take the trouble to find the answer to that?

Mr. McGEER: What I want to say about this article is this, that I believe that the evidence before us completely absolves General LaFlèche; I believe it completely absolves Major Hahn; I believe it completely absolves the Department of National Defence.

Mr. MACNEIL: That is your personal opinion.

Mr. McGEER: I submit that is why we should get an interim report. It completely absolves the British War Office. On the other hand, I say as a positive fact that we found out that the article in the publisher's note was untruthful; that the whole idea of the article was designed to deceive, if there was no fraud. Furthermore, throughout the article Drew's statements have been proven to be untrue.

Mr. GREEN: You have a good imagination.

Mr. McGEER: All right, I have this much imagination, to know that there is plenty of evidence before this committee to find that the men who formulated and wrote and published the *Maclean's* magazine article were untruthful.

Mr. MACNEIL: You did not break down their statements.

Mr. McGEER: From beginning to end it was a tissue of lies, and any fair-minded man would so agree. Anybody prejudiced who would want to find Hahn and LaFlèche guilty no matter what the situation was or to say that those men had been actuated by improper motives could say that this article or any other article written against them was true. That would be contrary to the plain rules of evidence upon which men judge.



Mr. MACNEIL: May I interject? In examination Colonel Drew persisted in his statements with regard to the facts contained in the article, and Mr. McGeer has not produced any evidence to disprove it.

Mr. McGEER: I produced General LaFlèche. If you believe one of the articles that he publishes on departmental records he says that the machinery, or the bulk of the machinery required to build Bren machine guns in Canada was stored in Valcartier.

Mr. GREEN: The chief of staff said that.

Mr. McGEER: He was advocating Canadian ownership.

Mr. GREEN: You will not let us call him.

Mr. McGEER: All right, we will call him; but do you think he could disprove the evidence before us?

Mr. GREEN: You will not let us cross-examine General LaFlèche; you stopped it.

Mr. McGEER: I did not stop it.

Mr. GREEN: You did by your motion.

Mr. McGEER: Do you think that these men are lying when they say, "we used all the machinery there was there and it constituted about 15 per cent of the machinery required to build Bren guns." Did you disbelieve LaFlèche when he said that the machinery that was there has been sold since 1922 and that all that was left was a few pieces of machinery.

Mr. GREEN: No, no.

Mr. McGEER: Well, 180 pieces.

Mr. MACINNIS: General LaFlèche did not say the machinery was sold, he said it was up for sale, but there was no sale for it.

Mr. McGEER: This is what was left there, if you will look up the record you will find that. In any event, all the machinery that was available for this thing was \$43,000 on the books of the Department of National Defence. General LaFlèche gave a description of it, and it did not constitute 15 per cent in value of the amount required.

Mr. MACNEIL: Are you sure of that point? General LaFlèche was not examined on that particular point.

Mr. McGEER: Yes, I examined him on that. He said \$43,000 and the next day he said \$42,000.

Mr. MACNEIL: I remember you examined Major Hahn.

Mr. McGEER: I did examine General LaFlèche as well, and you objected to that.

Mr. GREEN: He said a replacement value of over \$200,000.

Mr. McGEER: He said that they had given it a value in the Bren gun plant of \$200,000. On their books he said it stood at \$43,000 and later \$42,000. But Drew said, intending to lead the people to believe that the Department of National Defence had all the machinery that was necessary to set up the Bren gun plant they had deliberately gone out and given something away.

Mr. GREEN: In the smaller plant that was quite accurate.

Mr. McGEER: That was not accurate. No, no, General LaFlèche's evidence was to the effect—you would not believe General LaFlèche when he tells you a plain simple fact.

Mr. GREEN: Don't say that. You have done far more to hurt General LaFlèche than anybody at this end of the table.

Mr. McGEER: I will never be hurt by anything I said because he will never be charged with being deceitful or dishonest or a liar or fraudulent.

Hon. Mr. STEWART: He has admitted himself that he did not so understand the evidence.

Mr. McGEER: About the lies. I did not follow his evidence to that effect.

Hon. Mr. STEWART: He said he had not understood Colonel Drew to be charging him with dishonesty of corruption or with fraud.

Mr. GOLDING: That was yesterday.

Mr. McGEER: What he said this afternoon was that the charges as he understood them and as he learned afterwards, still stood.

Mr. GREEN: What did our leader say about General LaFlèche? Did he not say what a wonderful soldier he was?

Mr. McGEER: Which leader do you mean? The one in the Senate or the one in the House of Commons?

Mr. GREEN: The one in the House of Commons. He means what he says.

Mr. BROOKS: Who is your leader anyway?

Mr. McGEER: The greatest Canadian that ever lived in this age in the Dominion of Canada.

Mr. BROOKS: Gerry McGeer?

Mr. McGEER: You do not have to worry about the leader of the Liberal party, and while I do not bow to the dictates of the Liberal party or anybody else, there is nobody who is more loyal to the Liberal party than I am in the Dominion of Canada; but I do not have to agree with it when I think it is wrong.

Hon. Mr. STEWART: When you told the minister of finance that he was wandering in the swamps of financial ignorance, I suppose that was all right?

Mr. McGEER: As a matter of fact, what I do think is that we have a minister of finance that is suffering a rather—

The CHAIRMAN: Order, gentlemen. I do not think these remarks have anything to do with the Bren gun.

Mr. McGEER: I think he has a rather bad tory complex, and I would like to take him out of that ignoble place.

Mr. MACNEIL: He is not formulating charges.

Mr. McGEER: Some considered that these were rather disastrous charges, very definitely formulated on the night I made them.

Hon. Mr. STEWART: I think they were charges.

Mr. McGEER: You do not have to agree always with your party—

Mr. BERCOVITCH: Hear, hear.

Mr. McGEER: —to be able to look at your leader as the head of that party, and I do look to the Rt. Hon. W. L. Mackenzie King as the leader of the party to which I belong.

Hon. Mr. STEWART: Sometimes.

Mr. McGEER: We have had men charged here; we have had the Department of National Defence charged; why can't we deal with this?

Hon. Mr. STEWART: There are no charges made by anybody. That is where your motion falls down; there are no charges made by anybody.

Mr. McGEER: Then we will leave it at that.

Mr. BERCOVITCH: Let us take that and make a report on it.

Mr. McGEER: The only things we have to report on then we will agree on, Mr. Chairman.

Hon. Mr. STEWART: This committee was not formed to hear charges.

Mr. McGEER: No charges, you say?

Hon. Mr. STEWART: No charges formulated against anybody.

Mr. McGEER: The minister, deputy minister and the contractor.

Mr. GLEN: No charges made?

Mr. McGEER: Let us report we have unanimously come to the conclusion there were no charges made. Will you agree on that?

Mr. MACNEIL: Go ahead with your speech.

Mr. McGEER: Do you agree on that?

Mr. BERCOVITCH: Go on.

Mr. BROOKS: We will agree to this: you spent three days examining Mr. Drew and you proved that the heading of the article was in green ink. That is what we got from that three days of examination.

Mr. McGEER: The only thing I think about that bit of intellectual maritime culture—

Mr. MACNEIL: Remember what was said about culture.

Mr. McGEER: —is this.

Hon. Mr. STEWART: The hon. gentleman wears a green coat himself.

Mr. McGEER: That there is very little to be said—

Mr. GREEN: So long as you wear green at the next election you will be all right.

Mr. McGEER: I want to deal with another phase of these charges. We all agree that General LaFlèche made no charges against the motives of the writer of this article and the publishers of this article.

Mr. BROOKS: We are not interested in that.

Hon. Mr. STEWART: No, but he calls them liars.

Mr. BROOKS: And traitors.

Mr. McGEER: It comes down to this now, that all his charges have been proven.

Mr. MACINNIS: No.

Mr. McGEER: I suggest to you that when an editor publishes a statement, when all the statements made by the author are in departmental records up to August 5, and there are three governmental departments involved, namely the Ontario provincial government, the dominion federal government and the British government, and the first thing the author says on the stand is that that only referred to Ontario departments—

Mr. GREEN: Do you think Mr. Hunter is a traitor and a liar?

Mr. McGEER: Well, I think any man who will attack the Department of National Defence and the British War Office in the way that it has been attacked, and a veteran of high standing on the grounds that he attacked them, in the way that he did attack them, he was recklessly indifferent to the defence needs and the crisis through which we passed.

Mr. GREEN: He said he was a traitor and a liar.

Mr. McGEER: I only say that General LaFlèche made that statement, and there is plenty of evidence here to back it up and warrant it.

Mr. BROOKS: British members of parliament criticize their war department every day.

Mr. McGEER: Not in the language Drew used.

Mr. BROOKS: In whatever language they see fit.

Mr. GREEN: We have done it in the House of Commons.

Mr. McGEER: No, you have not. You did not issue libels against them. Another thing I think we might look at is one of the things that struck me as being outstanding, the procedure adopted to guarantee that this contract would be free from improper profiteering. Now, I do not know what Judge



Davis meant when he said improper profiteering, because I thought profiteering was in itself improper profits; but we have got a peculiar tangle to untangle. Now, what he says is that this is a matter for the government to deal with. What did the department do in these particular circumstances?

Hon. Mr. STEWART: Mr. Chairman, I think it is the finest example that I have ever seen in parliament of a gentleman talking out his own motion. Now, does the rule of the forty-minute speech in the House of Commons apply to committees?

Mr. McGEER: No, it does not. However, you can talk as long as you like.

Hon. Mr. STEWART: I take it the rules of the house apply to the proceedings of the committee.

The CHAIRMAN: Well—

Hon. Mr. STEWART: It does seem that this—

Mr. McGEER: You set a bad example this afternoon.

Hon. Mr. STEWART: I never talked more than forty minutes in my life.

Mr. McGEER: I do not think you could.

Hon. Mr. STEWART: I want to point out that if this rule does not apply it is scarcely fair to the other members of the committee to allow one member to monopolize all the time and go on rehashing and repeating and making charges and renewing allegations that have been made here time and time again when some other members of the committee may desire to present some other aspects of this.

The CHAIRMAN: I might say to the hon. gentleman I do not think the hon. member is speaking on his own motion. This was a motion of Mr. Berco-vitch. I say that incidentally. How long will it take you to finish?

Mr. MacNEIL: Go ahead.

Hon. Mr. STEWART: There are—

The CHAIRMAN: By unanimous consent of the committee the hon. member will proceed.

Mr. McGEER: All I want to say is this. I do want to draw the committee's attention—

Hon. Mr. STEWART: We like it; go on, it is fine.

Mr. McGEER: The procedure adopted in negotiating the contract is that they had the assistance of all the technical officers in the Department of National Defence; they had the assistance of Lieutenant Jolley who was trained in the Enfield plant; they had the assistance of the British War Office, and finally the counsel of the Judge Advocate General. But before—

Mr. BROOKS: Jolley did not have anything to do with the drawing of the contract.

Mr. McGEER: I said they had their assistance. They had the assistance of all—

Mr. BROOKS: The technical officers had nothing to do with the drawing of the contract.

Mr. McGEER: He advised on details of plans and policy in the negotiations; advised on methods of operation and production. In any event, they had a very efficient small but local staff who were not widely experienced. Then the government set up an interdepartmental committee consisting of some of the best men in the employ of the government, from the various departments. We have had their names.

Mr. MacNEIL: They did not get the contract.

Mr. McGEER: They had the contract for three months before them. They got it on January 5 and finally approved it on March 17.

Mr. MACNEIL: They had no alternative; they said so.

Mr. McGEER: They did not say that at all. They said they all agreed the contract was a good contract and it should go through. In addition to that—

Mr. GREEN: They had the heat put on them.

Mr. McGEER: No, they did not have the heat put on them. Fraser Elliott gave us his explanation of that.

Mr. GREEN: When it came to competitive bids they certainly did.

Mr. McGEER: What my friend desires to convey in saying they had the heat put on is that when they wanted to call for tenders they knew they had to do it with the concurrent co-operation of the British War Office. They cabled the British War Office and the British War Office said, if you insist on tenders, go ahead, take them, but we are not going along with you.

Mr. GREEN: There were two cables sent.

Mr. McGEER: All right. Then you say that LaFlèche must not be believed because of his dealings with the interdepartmental committee.

Mr. GREEN: No, I did not say that; he says that he sent a second cable.

Mr. McGEER: When did he put the heat on?

Mr. GREEN: You are doing your best to try to get us to accuse General LaFlèche—

Mr. MACNEIL: If Mr. McGeer is summing up in argument surely he does not want to have any misstatement. He knows the record is very clear. In the minutes of the interdepartmental committee General LaFlèche accepts the responsibility.

Mr. McGEER: For selecting the contractor, and as he said, because "I knew the British War Office would not agree to calling for tenders."

Mr. MACNEIL: Then you referred to Mr. Fraser Elliott.

Mr. McGEER: I asked Mr. Fraser Elliott as to why the interdepartmental committee acted and the interdepartmental committee acted first. LaFlèche's statement was that the British War Office would not have agreed to calling for tenders, and the cable reply from the war office confirmed and approved General LaFlèche's statement.

Mr. BROOKS: What the British War Office found was that matters had been delayed so long and they needed guns so urgently they could not wait any longer.

Mr. McGEER: There is conflict in the evidence there because General LaFlèche said we tried our best to get the British War Office to make a decision as to whether or not they would produce guns in Canada in December, 1936, and we did not get a final reply until November, 1937. He said we pressed for information throughout and that has been—

Mr. GREEN: Four months of that time was when External Affairs had short circuited the whole thing and war office knew nothing about it. As a matter of fact, it was quite apparent that we were not, for a period of time, willing to involve Canada in a matter of complementary or associate contracts. The reason for that was well known. There were a great many people in Canada who were opposed to the whole idea of getting mixed up with European affairs at that time.

Mr. GREEN: The government no-commitment policy.

Mr. McGEER: Whether the government was right or wrong—

Mr. GREEN: That is why we are in all this trouble to-day.

Mr. McGEER: That may or may not be true. But that is no reason for charging the Department of National Defence with fraud.

Mr. GREEN: We did not charge them with fraud.

Mr. McGEER: That is no reason for charging Hahn with being a fraud. If you want to put it on the basis that the government policy was wrong, it is perfectly fair to do so. But why drag in the Department of National Defence?

Mr. GREEN: Are they not part of the government?

Mr. McGEER: They are not responsible for the policy of the government, and they must be guided by it.

Mr. MACINNIS: They have to carry out government policy.

Mr. McGEER: There are times when I do not agree with government policy. Do you think I can do anything about it because I do not agree with the finance policy of the government of Canada?

Mr. MACNEIL: Might I ask Mr. McGeer if he is convinced that General LaFlèche was carrying out government policy in the period from December, 1936, until May, 1937.

Mr. McGEER: Absolutely; and I think he acted in the way he did because of government policy. I think if the government had said, "We will manufacture Bren guns and give you the money to put up a public arsenal" that LaFlèche would never have opposed the idea of building a government arsenal and manufacturing guns for Canada in it. Unfortunately for LaFlèche and Mackenzie, they were faced with the proposition that they could not get the money for a public arsenal.

Hon. Mr. STEWART: They did not ask for it.

Mr. McGEER: Yes, they did.

Mr. MACNEIL: The evidence here shows they had money in 1937 for 2,000 guns.

Mr. McGEER: Money to buy 2,000 guns; but not money to build a Bren gun arsenal.

Mr. MACINNIS: Oh, yes. It only required \$2,000,000.

Mr. MACNEIL: To start with.

Mr. McGEER: It would cost \$2,000,000 to build a building.

Mr. MACINNIS: No, it would not.

Mr. McGEER: And to equip it with machinery.

Mr. MACNEIL: Commissioner Davis commented on that.

Mr. MACINNIS: Colonel Carr's report to the department indicated quite clearly that it only required \$2,000,000.

Mr. McGEER: At a time when they had no idea of what the actual cost was going to be.

Mr. MACINNIS: If they had gone on and developed that project, they would have had the money sooner than they would have had it here.

Mr. McGEER: That may be so, but in any event that policy was never developed. If it is a question—

An Hon. MEMBER: The laid-down policy

Mr. McGEER: The laid-down policy which was declared at the British Empire Conference in 1937 said: "We will not build guns for any government in a Canadian arsenal." As I say, that may be right or wrong. That is a matter of policy and is an issue. But that is no ground for accusing these men of being dishonest and for throwing a charge of corruption at them as being associated with a contract that is cloaked in fraud from beginning to end.

But as I say, summing up the procedure, you have the departmental officials all consulted; you have the records all before you; you have the inter-departmental committee with all the facts disclosed to it; you have the British war office with all the facts disclosed to it.



Mr. GREEN: No, no.

Mr. McGEER: For instance, LaFlèche said to the interdepartmental committee, First, "we will not enter into a contract unless there is a British contract." Next, he said, "we will not sign a contract that has not been scrutinized or which has not had consideration by the British war office."

Mr. GREEN: He knew there was a British contract under negotiation.

Mr. McGEER: He knew there was a British contract under negotiation, but he did not know it was going to be completed. I am talking about the method of procedure. We had our own interdepartmental committee officials. We had the interdepartmental committee. We had the British war office officials. No Canadian contract has ever been submitted to more care and caution. Then you come, Mr. Chairman—

Mr. BROOKS: I just want to make a reference to page 11 of the Commissioner's report. It states, with reference to the cost of the government arsenal to manufacture the guns, as follows:—

But the testimony given before the commission established that only 60,000 square feet of space was necessary for the purpose of production of the 7,000 Bren guns for Canada as well as 5,000 guns for the war office and that an entire new building (apart from land) would cost approximately \$120,000.

Mr. MACNEIL: That is not \$2,000,000.

Mr. BROOKS: Continuing:

In proposal "B" of Major Hahn (exhibit 11) of December 29, 1936, the building was shown at an estimated cost of \$104,196.40.

Mr. GREEN: We have got nearly \$2,000,000 worth of machinery going into Hahn's plant.

Mr. McGEER: I am not complaining about that. What you have got in addition to that is a commercial plant brought back out of the grave and operating as one of the going concerns in this country to-day.

Mr. GREEN: The government set him up in this commercial business.

Mr. McGEER: I agree with you there. There are some of you people who say, "We do not want any private enterprise in this country."

Mr. BROOKS: Who said that?

Mr. McGEER: They go pretty far.

Mr. DOUGLAS: Not in armaments.

Mr. McGEER: That is exactly what you say. You say, "We do not want any private enterprise at all." Other people say, "We do not want any public ownership at all." Here you have part public ownership, part private ownership and public control of operation, costs and profits.

Mr. MACINNIS: Public finances put in.

Mr. McGEER: Public finances put in? You do not give these men any credit for supplying their working capital. They have had to put up money and risk their share of it.

Mr. MACNEIL: Private profits on government money.

Mr. McGEER: There are no private profits on government money.

Mr. GREEN: You have got private manufacture of armaments; and you need not try to get away from that.

Mr. McGEER: It is described right in your exhibit in this inquiry as public ownership with private operation.

Mr. GREEN: Who described it as that?

Mr. McGEER: M. P. Jolley.

Mr. GREEN: Oh, well. What did Commissioner Davis say?

Mr. McGEER: He referred to it as private operation. But I think it is public ownership with private operation.

Mr. GREEN: That is what you think; but that is not our opinion.

Mr. McGEER: What I do suggest to you is that it is a policy somewhat similar to that of Sweden where the government goes into partnership with private enterprise, asserts control, regulates profit and undertakes to regulate and maintain an effective and efficient flow of production.

Mr. GREEN: They call that private manufacture in England.

Mr. McGEER: All right. As I say, there are a great many intelligent people who do disagree with all of these methods. But whether we disagree or not, in a new contract of this kind, where can you find any place in Canadian history where more precautions or better precautions were taken to secure the carrying out of the program that was adopted?

Mr. GREEN: When we had a munitions board.

Mr. McGEER: Might I just refer briefly to what I think the test of the substance of the contract is?

Mr. MacNEIL: Is Mr. McGeer not acquainted with the difficulties with the Ross rifle factory at the close of the last war?

Mr. McGEER: That was purely a privately owned operation. That was not a government owned operation.

Mr. MacNEIL: The government put \$2,000,000 in it.

Mr. McGEER: They scrapped it, but they did not have public control. As I say, I am not saying that any one of these systems is right. But I say, as between private ownership outright and public ownership outright, you have part public ownership and part private ownership.

Mr. GREEN: The trouble is that there is no such thing as private ownership outright anywhere in the British Empire. There is no such animal. There is private manufacture.

Mr. McGEER: What we ordinarily know as public ownership. There is such a thing as a man being able to set up his own plant and operate it in his own way.

Mr. GREEN: Not in the armament industry.

Mr. McGEER: Yes, there is.

Mr. GREEN: Where is that in the British Empire?

Mr. McGEER: For instance, we have it on our evidence here, at the Birmingham Small Arms Company.

Mr. GREEN: There is government control there.

Mr. McGEER: There is not a bit of government control there.

Mr. GREEN: The evidence is to the contrary.

Mr. McGEER: Take Vickers, then.

Mr. BROOKS: General LaFlèche said yesterday it was all under government control.

Mr. McGEER: No, he did not say that.

Mr. MacNEIL: Does Mr. McGeer contend that this policy is carrying out the recommendations of the Skelton committee?

Mr. McGEER: I think it is. I think where you misread the Skelton committee recommendation or where your interpretation is wrong is that you fail to remember there are two policies recommended in the Skelton committee. One is war time procedure and one is peace time preparation procedure. What I think you have made an error in is that you think that the Skelton committee only recommended that one program, a war program. This is, to my way of

thinking, the peace time preparatory program recommended by the Skelton committee; and in many respects this is the program, known as the peace time preparatory program, which is in large measure being developed both in the United States and Great Britain.

Mr. DOUGLAS: Will your peace time program not affect your war time program?

Mr. McGEER: They hope so. It is their hope that in this kind of thing they are going to get an association of industry that will maintain an available supply of trained labour and plant production that can be thrown into mass production if the emergency of war should make the demand. I just want to close with this: When you come to judge the substance of a contract, it is the fruits of that contract which are the best test. What are the fruits of this contract to be? We are constructing essential arms for the rearmament of Canada's land forces within Canada for the first time. We are building arms for the British War Ministry with Canadian labour and reducing Canadian unemployment.

Mr. GREEN: We should be doing it in a government arsenal.

Mr. McGEER: 3. Instead of paying \$3,500,000 to produce guns abroad we are securing an expenditure of \$6,500,000 in Canada for the production of our own and British guns.

4. We are getting our guns by virtue of the provision the British government is affording in the purchase of equipment which we will own at less than cost. That is the undisputed evidence of Mr. Fraser Elliott.

Mr. GREEN: No, it is not undisputed at all.

Mr. McGEER: Is his evidence to be believed?

Mr. GREEN: On that point, yes.

Mr. McGEER: Very well we are glad to hear that from you; I say, as I said before that the evidence of Mr. Fraser Elliott is undisputed.

Mr. BROOKS: We are not disputing it.

Mr. McGEER: I am giving you my opinion which I have a right to give you.

Mr. BROOKS: You are monopolizing a lot of time.

Mr. GREEN: You are talking the thing out.

Mr. McGEER: You can accuse me of talking the thing out but really I would rather listen to my own voice than listen to yours. If I were not talking I would have to listen to you. Well now, I have gone over four of the good points in this contract—that less than cost one—maybe I had better not read that over again, you don't seem to like it.

5. Three hundred workmen are now employed, and this number will increase to somewhere between eight hundred and nine hundred men.

Mr. GREEN: That is about the twentieth time that has been said.

Mr. McGEER: Now I will repeat what before I said in part, that when we are finished we will have the best Bren gun production unit in the British Empire, and instead of condemning men like LaFlèche and Hahn—

Mr. GREEN: We are not condemning LaFlèche; you are just taking up a lot of time again.

Mr. McGEER: I know you are only saying that to play politics. I mean what I say, we will have the best Bren gun production unit in the British Empire, and we can thank Hahn and LaFlèche for that.

7. We will have a trained personnel in the small arms industry that we never had before.

Mr. GREEN: They should be in a Dominion arsenal.



Mr. McGEER: If we want to set up a Dominion arsenal, and you ever get into power and do it, you will at least be able to thank the Liberal party for having men trained to put in when it is up.

Mr. GREEN: We won't have much else to thank them for.

Mr. McGEER: Well, I would not be too sure about that.

8. We have been able to aid in the re-establishment of an important Canadian industrial unit as a going concern.

Mr. GREEN: An old boiler factory.

Mr. McGEER: Describe it as an old boiler factory if you like.

Mr. McLEAN: That is the first time we have heard that.

Mr. McGEER: If it were an old boiler factory, then anyone in Canada who goes to see it cannot help but be glad of the change that has been brought about.

Mr. MacNEIL: Yes by the use of government money and plenty of it.

Mr. McGEER: Not a dollar of government money has been spent on the old boiler factory, and you know it, because you were in the plant. Didn't you say to Major Hahn when you were up at the plant that you thought it was a pretty fine looking outfit?

Mr. MacNEIL: Certainly, I have no criticism. I have said before, and I repeat, that it ought to be good in view of the amount of government money that has been expended on it.

Mr. McGEER: Did you see one place outside of the Bren gun unit—

Mr. MacNEIL: You were talking about the best small arms factory in the British Empire.

Mr. McGEER: No, no, Mr. MacNeil, I was referring to what you saw in the commercial plant.

Mr. MacNEIL: The commercial plant would not have been there at all if the Bren gun contract had not been signed. If the Bren gun contract had not been closed it would not have been there yet.

Mr. McGEER: We have been able to aid in the re-establishment of an important Canadian industrial unit; and in saying that I do not refer to the Bren gun unit of the John Inglis company, but rather to the commercial unit of that company.

Mr. MacNEIL: Are you contending that that would have been done without the aid of the contract?

Mr. McGEER: No. I say that by putting an armament contract into a commercial firm we have been able to aid in bringing about the recovery of a commercial business along with an armament business.

Mr. MacNEIL: Was my statement not correct that it was on government money that that was made possible?

Mr. McGEER: Only for the Bren gun plant.

Mr. DOUGLAS: One is dependent on the other.

Mr. McGEER: I agree with you, the two work together, but I think there is a lot to be said about having the government work with private industry if we are going to take advantage of the terrible amount of expense of armament production, if out of that we can get some benefit for our commercial enterprise, that is all to the good. I am no more in favour of the building of arms, no less hopeful for peace, than you are, but as we have got to spend money on arms I believe that if we can get something out of it in the way of peacetime benefits for industry, we should endeavour to do so.

Mr. DOUGLAS: We do too. We don't think that is the best way.

Mr. McGEER: We do too; but we disagree on it. While that may not be the best way it is one result coming out of this situation. There may be

other and better ways that these same results or even better results could be achieved, but in part they are being achieved in this way. Now, we will have \$1,300,000 over and above—we will have \$1,300,000 over and above what these guns would cost if we had built them in a public arsenal in Canada under the policy that existed.

Mr. GREEN: You can't get away with that.

Mr. McGEER: All right, there is a lot of evidence that needs to be gone over again. I said, if we had gone ahead with this contract under the policy which then existed it would have cost us \$1,300,000 more than it will under the present arrangement.

Mr. MACINNIS: That is a different statement altogether.

Mr. McGEER: As I pointed out to you, rightly or wrongly, the government policy at that time was not to accept contracts from the British government for the production of guns in Canada; and you have to thank your respected leader, who said that we should not endanger our neutrality and our isolation by engaging in any relationship—

Mr. MACNEIL: If this were a public plant, as I said a moment ago, there would have been no difficulty in getting a similar contract for it.

Mr. McGEER: I agree. As far as I am concerned I would go all the way. I would set up a public arsenal, and I would co-operate with private industry, and I would operate all plants in this country in complete co-operation with the British Empire.

Mr. BROOKS: Hear, hear.

Mr. McGEER: I am not in agreement with the policy of isolation. I believe that whatever of security we have in Canada to-day is dependent upon the continued leadership and power of the British Empire, and I think we ought to go right along with the British Empire to defend the democracies of the world with everything we have.

Mr. GREEN: That is one place where we will agree with you.

There is one point, Mr. Chairman, Mr. McGeer has said, and I think he should be corrected, that we could never have made the saving, or the supposed saving of a million and some odd thousand dollars if we had built these guns in a public arsenal. What we have been contending all along was that the guns should have been built in a public arsenal. There is no proof that the British government would not have agreed to having 5,000 guns made there just the same as they agreed to have the guns made in a private company. Any saving that would have been secured through a contract with a private company would have been equally available, equally possible, under a government owned plant.

Mr. McGEER: What I am pointing out, and I am not in disagreement with you on that either, is that at the time this contract was let by the Department of National Defence and at the time General LaFlèche recommended this contract both the deputy minister and the Minister of National Defence were under the control of a policy of government which they had to accept, which prevented them from accepting the contract with the British war office for public arsenal production of guns.

Mr. GREEN: The trouble goes further back than that because in 1936 the minister stated the government decided against a government arsenal.

Mr. McGEER: Whether they were right or wrong about that, I am not commenting.

Mr. MACINNIS: Has the policy been changed?

Mr. MACNEIL: Colonel LaFlèche testified that it was changed.

Mr. McGEER: That was the policy of getting British contracts over from Great Britain, not the policy of making guns in a Canadian arsenal for other governments.

If I had the power to change that policy, I would change it overnight, because I think that if we were working in the kind of harmony and co-operation that I think we should, with the British Empire, I believe there would not be a single idle man in the whole of the Dominion of Canada.

Mr. GREEN: Why did you not speak against the government policy?

Mr. McGEER: Well, I speak against the government when I think it is wise and prudent.

But I do not think anybody in this room or in the Dominion of Canada can accuse me of lacking in political courage or standing on my own ideas.

Mr. MacINNIS: Or political sagacity.

Mr. McGEER: A lot of people do that and, as a matter of fact, I am in a grave doubt about that myself.

Mr. DOUGLAS: You say that the present system is public ownership?

Mr. McGEER: In part.

Mr. DOUGLAS: What you are actually doing now is to manufacture guns for Great Britain in a publicly owned plant, the very thing you say the government was opposed to doing.

Mr. McGEER: You do not seem to have quite the right kind of view on these things. Your difficulty is that you do not look closely enough. Now, that is not the trouble, because it took me about twenty-five years to get over that kind of thing in public life, and after you get along a few years you see things in public life from more angles than you do to-day.

Mr. DOUGLAS: From the inside, you mean?

Mr. McGEER: What I would like to point out to you is this: That the British war office said, "We would like to let a contract through the Canadian government. We do not see any reason why there should be two contracts. We would like this contract to be made between the Inglis company and the Canadian government; they take 7,000 guns and deliver 5,000 to us." They said, "Why do you object to that?"

Mr. DOUGLAS: You can see why they would object to that.

Mr. McGEER: That is what I want you to see. You have to look at the thing from a little wider point of view than your remarks indicate. They said, "We won't have a joint contract with the British government." That was done for the purpose of saying: We are still within that policy of not manufacturing for the British government or being entangled with the British government in the production of arms. But I say there could not be anything more interlocking than the two complementary arrangements whereby the British government pays for the machinery and we own it and have it for future production.

Mr. GREEN: But the trouble is that a private manufacturer is stuck into the middle of it and can make a big profit.

Mr. McGEER: The point I was talking on was the point raised by Mr. Douglas when you so rudely interrupted me. I was trying to give him a little information on the government's policy which I know he needs and which will do him good.

Mr. BROOKS: Mr. McGeer said an hour ago he had one more statement to make, Mr. Chairman.

Mr. MacNEIL: Canadian public funds are being utilized now in this matter.

Mr. McGEER: I am rather inclined to agree with you that while there is something of a continuation in form of the old policy, in actual reality we are to-day hooked up in the Bren gun contract with the British government in producing guns.

Mr. GREEN: Hooked up with Hahn.



Mr. McGEER: Well, I want to say this to you: If Hahn is not a real man, if he is not an honest man, and if he is not a worthy Canadian—

Mr. GREEN: I did not say that.

Mr. McGEER: —I doubt it very much. I think a man with Hahn's record, who goes out and puts up his own money to the extent of \$207,000 and, as he says here, gains the confidence and respect of the British war office, is a man who has attained a position in our life in Canada and in Great Britain that it ill behooves you to slur in a public meeting.

Mr. GREEN: I am not slurring Hahn, but I am saying that Hahn is the victim of a weak, spineless, under-the-bed government.

Mr. McGEER: And is that the reason why you associate yourself with George Drew, not in accusing but in persecuting Hahn?

Mr. GREEN: I am not persecuting Hahn.

Mr. McGEER: I have never seen anybody on defence on a charge of fraud in the public service pilloried worse than Hahn has been pilloried in this committee. I do not know of any time that any criminal found guilty at the bar of justice has ever had to stand by and hear such a steady stream of malignant insults hurled at him from members and from a responsible man like Colonel Drew.

Mr. GREEN: Mr. Chairman, I want to ask Mr. McGeer if he is accusing us of hurling insults at Major Hahn, because I think that is quite unfair?

Mr. McGEER: I think the record will speak for itself and, if you do not believe me, ask Major Hahn.

The CHAIRMAN: Gentlemen, before you leave, will the members of the committee deliver to the secretary's office any exhibits or reports which they may have?

Mr. BROOKS: Before we leave, I wish to say just a few words in congratulation of our chairman.

Hon. MEMBERS: Hear, hear.

Mr. BROOKS: He has had one of the most arduous duties to perform for the past several months, and I think I am expressing the opinion of every member of the committee and all members of all parties when I say that he has done a good job; that he has been fair, and I believe he has conducted the proceedings to the satisfaction of all members.

Mr. MACNEIL: I heartily endorse those sentiments.

The CHAIRMAN: Gentlemen, I appreciate exceedingly the very kind and generous remarks made by the honourable gentleman who has just taken his seat, Colonel Brooks. Might I say that while he did not permit me to finish my remarks at the time, I wanted to take this opportunity of stating emphatically from the chair that each and every member of this committee has done his best to discharge his responsibilities as a member of this committee, as a member of parliament and as a public servant.

I also wish to express my sincere appreciation for the kindness and tolerance that has at all times been extended to the chair.

I sincerely trust that each and every member of this committee will be back for another session of parliament before an election.

Parliament having been prorogued the committee rose.

## APPENDIX

## SESSIONAL PAPER NO. 314

RETURN to an Address of the House of Commons, dated 27th June, 1938, showing:—

A copy of the agreement between the Government and John Inglis Company, of Toronto, for the manufacture of Bren machine guns.

(Sgd.) FERNAND RINFRET,  
*Secretary of State.*

Reference No. 241

Mover: Mr. Mulock

Dated: June 29, 1938.

Copy

S. 6836-11

## DEPARTMENT OF NATIONAL DEFENCE

OTTAWA, Canada, June 28, 1938.

SIR,—With reference to Order of the House of Commons No. 241, dated June 27, 1938, mover, Mr. Mulock, as follows:—

For a copy of the agreement between the Government and John Inglis Company, of Toronto, for the manufacture of Bren Machine guns.

I have the honour to enclose herewith a copy of the desired agreement.

I have the honour to be,

Sir,

Your obedient servant,

(Sgd.) L. R. LAFLECHE,  
*Deputy Minister.*

The Under Secretary of State,  
Ottawa, Ont.

Enc.

## SESSIONAL PAPER NO. 92B

Tuesday, Feb. 7, 1939

## JOHN INGLIS CO. LIMITED

14 Strachan Avenue,  
Toronto, Canada.  
September 3, 1938.

DEAR SIR,—In our negotiations with the Government of Canada concerning the manufacture of the "Bren" Gun it was our intention that the over-riding profit which would in any event accrue to us should not exceed the sum of \$267,000 and this was the understanding of both Parties.

It is possible, however, that Section 6A of the Agreement dated March 31, 1938, between ourselves and the Crown, might be susceptible of being so construed as to allow us a larger over-riding profit should the amounts representing 10 per cent on actual manufacturing costs as defined in the Contract plus 25 per cent of the difference between said actual manufacturing costs and the "Standard Cost" when fixed, amount in the aggregate to a sum exceeding the said

\$267,000. In the actual carrying out of the Contract it is most improbable that such would be the case, but, in order to avoid any possible misunderstanding with respect to our intention and what we have always understood to be the intention of the Government, it would be well in our opinion immediately, and before production actually commences, to place the matter beyond any doubt.

Consequently, on behalf of the Company, I beg to confirm the understanding which was reached by the respective Parties in the negotiations leading up to the making of the Contract that the maximum over-riding profit payable to the Company, both with respect to the pre-production and to the production periods, including in the case of the latter the 25 per cent of the difference, if any, between actual manufacturing costs and the Standard Cost referred to in Section 6A, shall not exceed the sum of \$267,000.

We would suggest that, for greater clarity, the Agreement of the 31st of March, 1938, might be amended accordingly, and if you concur, we suggest that a draft in this regard be prepared by the Department and submitted to us for examination.

Yours very faithfully,

JOHN INGLIS CO. LIMITED,

(Sgd.) J. E. HAHN,  
*President.*

The Deputy Minister,  
Department of National Defence,  
Ottawa.

*Copy*

16/3/38

THIS AGREEMENT made in triplicate this thirty-first day of March, A.D. 1938  
BETWEEN:

HIS MAJESTY THE KING,  
represented by the Honourable the Minister of National Defence  
for Canada,  
hereinafter called the Party

*of the First Part:*

and

JOHN INGLIS CO. LIMITED  
a body politic and corporate having its head office at the City  
of Toronto, in the Province of Ontario,  
hereinafter called the Party

*of the Second Part.*

Whereas the Party of the Second Part has agreed to manufacture for the Party of the First Part machine guns, known as the Bren Gun, subject to the terms and for the consideration hereinafter set forth.

And whereas the Honourable the Minister of National Defence for Canada has been duly authorized to enter into this contract and to execute same on behalf of the Party of the First Part.

And whereas James E. Hahn, President of John Inglis Co. Limited, has been authorized to enter into this contract and to execute same on behalf of the Party of the Second Part.

Now, therefore, this indenture witnesseth that in consideration of the mutual covenants and agreements herein contained the Parties hereto agree as follows:—

1. The Party of the First Part will provide that there be granted to the Party of the Second Part a licence (not exclusive) to manufacture the Bren Gun in Canada. The term of this licence shall be for a period of ten years



from the date hereof. The said licence shall be renewable after the said term of ten years from time to time for a like period or periods by mutual agreement of the Parties hereto. The Party of the First Part undertakes to keep the licence in good standing and to indemnify the Party of the Second Part with respect thereto. In the event that the Party of the Second Part is licensed directly by the patentee of the Bren Gun, the use of the said licence shall be upon similar terms as above and otherwise shall be subject to the approval and control of the Party of the First Part. Notwithstanding the provisions of this contract, the licence to be granted to the Party of the Second Part under the terms of this section shall remain in full force and effect for the duration of the said licence or renewals thereof, always provided that the Party of the First Part may cause the said licence to be cancelled for proper cause at any time after the commencement of the production of Bren Guns in pursuance of this contract.

Provided further, that notwithstanding the provisions of anything herein contained, the said licence shall be subject to cancellation if in the course of the period thereof the Party of the Second Part should sell shares, stocks, bonds, debentures, notes or other like securities to the public, directly or indirectly, or through the medium of other companies the proceeds of which are not directly applied to the business of the Party of the Second Part and there remain applicable for use in the carrying on of said Party's business, then the licence shall cease unless before the issue of such instruments the consent to the issue thereof has first been secured from the Party of the First Part.

2. The Party of the Second Part undertakes and agrees with the Party of the First Part to manufacture seven thousand (7,000) of the said Bren Guns as defined in Schedule 1 attached hereto and such spare and component parts thereof as may be required by the Party of the First Part in accordance with the terms of this contract, and of the specifications set out in Exhibit "B" hereto and forming part thereof, commencing as soon as is reasonably possible following the execution of this contract and proceeding with the work continuously and expeditiously and in such reasonable priority to its other business as may be demanded by the Party of the First Part.

3. (a) There will be installed, as hereinafter provided, in the buildings made available by the Party of the Second Part the machinery, tools, dies, jigs and gauges necessary for the manufacture of the said Bren Gun in accordance with Exhibit "A" attached and forming part of these presents, it being expressly agreed that the machinery therein mentioned when so installed shall be capable of being utilized to produce Enfield Rifles, pistols and other small arms, as well as parts and components thereof.

(b) The said machinery, tools, dies, jigs and gauges will be procured or manufactured either by the Party of the Second Part, with the prior approval of the Party of the First Part, or by the Party of the First Part with the concurrence of the Party of the Second Part, as the circumstances may demand.

(c) The Party of the Second Part shall, in respect of all machinery, tools, dies, jigs and gauges, procured or manufactured by it as aforesaid, be reimbursed by the Party of the First Part in the cost thereof in the manner hereinafter set forth.

(d) All machinery, tools, dies, jigs and gauges provided or manufactured as aforesaid by either Party, shall be installed by the Party of the Second Part in said buildings.

(e) As compensation for the said machinery, tools, dies, jigs, gauges, and for engineering, planning, installing and other services including those of a preliminary nature, required to make the Plant fully equipped for the production of the said Bren Gun, as set out in Sections 1 and 2 of this contract, the Party of the First Part shall pay to the Party of the Second Part

an amount computed on a basis of two-thirds of that set out hereunder, of which the said two-thirds shall be payable by the said party of the First Part in the manner hereunder set forth.

1. A sum not exceeding \$20,000 in respect of actual cost of preliminary investigation, planning and engineering services carried out by the Party of the Second Part prior to the execution of this Agreement as evidenced by vouchers or other proof in support thereof satisfactory to the Party of the First Part.
2. The actual cost to the Party of the Second Part of such machinery, tools, dies, jigs and gauges as it procures from outside sources.
3. The actual cost to the Party of the Second Part of such machinery, tools, dies, jigs and gauges as it manufactures, the same being computed in the manner set out in Sections 4 and 5 hereof adapted to meet the provisions of this paragraph.
4. Such other costs, as are set out in Section 5 of this Agreement, as are properly chargeable under this contract in the fulfilment by the Party of the Second Part of its obligations up to date of commencement of manufacture of the Bren Gun.
5. Ten per centum of the actual cost of tools, dies, jigs, and gauges purchased by the Party of the First Part or the Party of the Second Part; ten per centum of the actual cost to the Party of the Second Part in respect of such tools, dies, jigs, and gauges manufactured by it as mentioned in paragraph 3 of this Section; ten per centum of such costs as are mentioned in paragraph 4 of this Section.

(f) The Party of the Second Part shall, at the expiration of each month during the period while said machinery, tools, dies, jigs, and gauges are being received, completed, manufactured and installed as hereinbefore mentioned, submit to the Party of the First Part statements showing the costs incurred by it. Such statements shall be subject to checking and verification forthwith by the authorized representative of the Party of the First Part, and, upon receipt of such statements certified by such representative, the Party of the First Part undertakes and agrees to remit promptly to the Party of the Second Part two-thirds of the full amount of the costs set out in said statements, plus two-thirds of the compensation referred to in paragraph (e) 5 of this Section.

(g) The Party of the Second Part agrees that all the said machinery, tools, dies and equipment, after payment for the same as herein provided by the Party of the First Part shall, at all times, be and remain the property of the Party of the First Part and the Party of the Second Part will, so long as the same remains in its plant reasonably maintain and care for the said machinery, tools, dies and equipment at the expense of the Party of the First Part, and will ensure that the same shall, at all times, be and remain free from any liens, attachments or other claims which may be made or levied against the property of the said Party of the Second Part, always provided, however, that the Party of the Second Part shall have the right, but at all times subject to the requirements and consent of the Party of the First Part, to use or permit the use of the said machinery, tools, dies and equipment for purposes other than provided for in this agreement on payment to the Party of the First Part of a reasonable compensation for such use as may be made thereof and as may be mutually agreed upon or in default of such agreement as may be determined in the manner provided in Section 13 of this agreement, and so long as the said machinery, tools, dies and equipment are being used either in the carrying out of this contract or for other purposes as above provided the said machinery, tools, dies and equipment will not be disturbed by either of the Parties to this Agreement except as herein provided. The Party of the First Part shall also pay

the cost of such conversion of the Plant of the Party of the Second Part as is in the opinion of the Party of the First Part necessary or advisable in making the said Plant suitable for the carrying out of the terms of this contract but no such cost shall be repaid to the Party of the Second Part, except such as has been given prior approval by the Party of the First Part. In the event the said plant, machinery, tools, dies, gauges and equipment are not being used for the purposes of the Party of the First Part, or for other purposes as above provided, and of either of the parties hereto deciding to dismantle and move the said machinery, tools, dies, gauges and equipment, the Party of the First Part shall pay the cost of dismantling and moving the same as well as the cost of replacing in its original condition, subject to reasonable wear and tear, such property of the Party of the Second Part as has been originally moved or shifted by reason of the installation in the Plant of the Party of the Second Part of the said machinery, tools, dies, gauges and equipment of the Party of the First Part and/or which, for the purposes of the carrying out of this contract was converted or moved at the expense of the said Party of the First Part.

4. Upon the provision and installation of the said machinery, tools, dies, jigs, and gauges, as aforesaid, being completed, the Party of the Second Part shall forthwith proceed with the manufacture of the said Bren Gun, as provided in Section 2 hereof, and the spare or component parts thereof. The price of the said Bren Gun and spare or component parts thereof as ordered by the Party of the First Part shall be:—

(a) The sum of all costs, as hereinafter defined, properly incurred in connection with the manufacture of the said Bren Gun and spare or component parts thereof, and

(b) Ten per centum (10%) of all such costs, except the following:—

(1) Sales Tax.

(2) Customs duties which are paid directly or indirectly by the Party of the Second Part in the performance of this contract or in connection therewith or are paid by parties with whom the Party of the Second Part has, in the sense of profit sharing, contract, arrangement or contact.

(3) Royalties and licensing fees paid in connection with the use of patents and designs by the Party hereof of the Second Part.

(4) Interest on Bank Loans mentioned in Section 5 (s).

(5) Depreciation mentioned in Section 5 (p).

It being expressly agreed that the total amount payable under this clause and under Section 3 (e) (5) of this contract shall not exceed the sum of Two Hundred and Sixty-seven thousand dollars (\$267,000) in respect of seven thousand (7,000) guns as defined in Schedule 1 attached thereto.

5. The costs referred to in Section (4) (a) hereof shall consist of the following specific items to the extent that they are incurred in the performance of this contract:—

(a) Royalties or licensing fees paid for the use of any patents or copyrights, the right to the use of which is not given to the Party of the Second Part under the terms of this Agreement, including any deductions under the Income War Tax Act made from the amount of such royalties or licensing fees required to be made by the Party of the Second Part, provided always that the Party of the Second Part will not use any other patents or copyrights which may be obtained for the purposes of this agreement without the prior written consent of the Party of the First Part.



(b) Wages paid for labour employed directly on

(1) The production of the said Bren Gun.

(2) The construction of the special tools, jigs, dies and gauges required by the Party of the First Part.

It being expressly agreed that the rates of wages for labour employed in connection with the manufacture of the said Bren Gun and spare and component parts thereof shall in any case in which they shall exceed the rates set forth in Exhibit "C" hereto, and forming part of this contract, as the same may from time to time, be varied or modified by the Minister of Labour, be subject to the approval of the Minister of Labour, and to the extent approved shall be allowed as a cost in connection with this contract and be dealt with accordingly. Should the wage rates be in excess of the amount approved, the excess shall not be allowed as a cost within the terms of this contract.

(c) Wages and salaries of indirect labour, including the personnel engaged in shop supervision, inspection, purchasing, accounting, clerical and stenographic and office work, and janitor service.

(d) Assessments or payments made to the Province of Ontario under the Workmen's Compensation Act, and any expenses incurred in or imposed by the observance of Provincial, Municipal and/or Dominion Labour Legislation.

(e) Cost of engineering services, whether such services are performed by engineers employed by the Party of the Second Part or are furnished by others, provided that any engineering services furnished by others shall be subject to the prior written approval of the Party of the First Part.

(f) The salaries received by executive officers and others, not otherwise in this contract provided for. Such salaries as well as wages and salaries of indirect labour referred to in paragraph (c) of this section shall be subject to the approval of the Party of the First Part and to the extent approved shall be allowed as a cost in connection with this contract and be dealt with accordingly. In any case or cases to the extent that any salaries may be paid in excess of the amount approved, such excess shall not be allowed as a cost within the terms of this contract.

(g) Cost of materials which shall include—

(1) All materials, including spare and component parts entering into the construction of the said Bren Gun and spare and component parts thereof, including inspection charges incurred by the Party of the Second Part at source for material purchased.

(2) All perishable or other special tools, jigs, dies and gauges or materials therefor.

(3) All cartridges or materials used in tests prior to the delivery of the completed Bren Gun.

(4) Equipment fabricated or semi-fabricated.

(5) Any other materials or supplies used in connection with the construction of the said Bren Gun.

Provided always that the price paid for all materials referred to in Section 5 (g) purchased for or in connection with the execution of this contract shall be subject to the approval of the representative of the Party of the First Part and to the extent approved shall be allowed as a cost in connection with this contract and be dealt with accordingly. In any case or cases to the extent that any of the said materials may be purchased at a price in excess of the price approved, such excess shall not be allowed as a cost within the terms of this contract.

- (h) The cost of light, heat, power, gas, telephone, telegraph, stationery, office supplies, postage, excise stamps and other similar costs.
- (i) The cost of necessary maintenance, repairs and minor alterations to buildings, machinery and equipment; all subject to the prior written approval of the Party of the First Part.
- (j) Reasonable travelling expenses of—
  - (1) Employees of the Party of the Second Part, and
  - (2) Expert technical advisers and engineers engaged with the prior written approval of the Party of the First Part to assist in the construction of the Bren Gun and spare and component parts.
- (k) Cost of Bren Gun Tests.
- (l) Subject to the prior written approval of the Party of the First Part, the rental or rental value of buildings, equipment or property which are used in order to perform this contract, provided always however that if its obligations hereunder are fulfilled by the Party of the Second Part to the satisfaction of the Party of the First Part any rentals paid under this paragraph by the Party of the First Part shall be refunded to it by the Party of the Second Part except with respect to any payments to third parties and, except with respect to any payments made or accruing for periods during which for reasons beyond the control of the Party of the Second Part production has not been carried out.
- (m) Customs duties and sales, excise and other taxes or duties levied on any material used in the construction of the said Bren Gun or spare or component parts thereof.
- (n) Subject to the prior written approval of the Party of the First Part, the premiums paid for fire and other insurance on plant, equipment and materials used in connection with the construction of Bren Guns herein provided for and all insurance carried on such Bren Guns or parts or equipment and any other insurance considered necessary by either of the Parties thereto.
- (o) Depreciation based on the value of buildings, machinery and equipment owned by the Party of the Second Part and used in the performance of this contract. It being expressly agreed that the value of the buildings, machinery and equipment owned by the Party of the Second Part shall for the purpose of this paragraph be fixed in the sum of \$280,000, and that the portion thereof actually used in the performance of this contract shall be taken as the basis for computing the annual rates of depreciation mentioned in this paragraph. The annual rates of depreciation to be allowed shall be  $2\frac{1}{2}$  per cent on brick or stone buildings, 5 per cent on wooden buildings, and 10 per cent on machinery, other than on machinery referred to in Section 3 hereof.
- (p) Business taxes and taxes on land and buildings paid by the Party of the Second Part.
- (q) Legal costs incurred in connection with the performance of this contract, provided however that any legal costs incurred by the Party of the Second Part shall not be allowed as a cost in connection with this contract unless there has first been secured the written consent of the Party of the First Part.
- (r) Interest on Bank Loans raised by the Party of the Second Part for the purpose of providing any additional plant which may be required and approved by the Party of the First Part.
- (s) Such other costs as the Party of the First Part may approve as necessarily incurred in the preparation and performance of this contract.

- (t) Notwithstanding anything herein contained it is expressly understood and agreed by and between the parties hereto that the general cost items referred to above in sub-paragraphs 5 (c), (e), (h), (i), (n), (o), and (p), will, in respect to the extent that they are incurred in the proper carrying out of this Agreement, be allowed in such amounts as the Party of the First Part may approve. This clause shall not operate to postpone the times herein fixed for payment of all amounts which are to be paid by the Party of the First Part to the Party of the Second Part under this agreement. The Party of the Second Part shall, however, make prompt adjustment and payment to the Party of the First Part of all amounts which shall be found due to the Party of the First Part at the end of each fiscal year by reason of the apportionment of the general cost items as above mentioned.

All amounts payable under this contract by the Party of the First Part to the Party of the Second Part shall be made in Canadian Funds at Toronto, Canada.

6. The Party of the Second Part, after the commencement of manufacture of the Bren Gun, shall, at the expiration of each month during the continuation of this contract, prepare statements showing the costs incurred by them as herein defined in Section 4 (a) of this agreement to the date of such statements, and such statements shall be subject to checking and verification forthwith by the authorized representative of the Party of the First Part. Upon receipt of such statements certified by such representative, the Party of the First Part undertakes and agrees to remit promptly to the Party of the Second Part,

- (a) Ninety per centum (90 per cent) of the cost so certified, together with
- (b) Seventy-five per centum (75 per cent) of Ten per centum (10 per cent) of the cost so certified, as defined in Section 4 (b) of this agreement.

Upon final acceptance of each Bren Gun by the Party of the First Part, the balance of the cost thereof, together with the unpaid balance of the allowance of Ten per centum (10 per cent) as defined by Section 4 (b) of this agreement shall forthwith be paid to the Party of the Second Part. For the purpose of assessing these provisional balances to be paid the following costs shall be taken:—

For guns delivered to the Party of the First Part:—

- out of the first 1,000 guns produced \$487.
- out of the next 3,000 guns produced \$314.
- out of the next 6,000 guns produced \$294.
- out of the next 2,000 guns produced \$294.

When (1) 1,000 guns have been delivered and accepted by the British Government and/or the Party of the First Part;

When (2) a further 3,000 guns have been delivered and accepted by the British Government and/or the Party of the First Part;

When (3) a further 6,000 guns have been delivered and accepted by the British Government and/or the Party of the First Part;

When (4) a further 2,000 guns have been delivered and accepted by the British Government and/or the Party of the First Part;

a reconciliation will be effected between actual cost plus profit as defined in Section 4 and advances paid under (a) and (b) of this Section and any adjustment necessary, made. Following upon the final acceptance of all the said Bren Guns and notwithstanding anything to the contrary herein contained, the Parties hereto hereby agree that there will be an accounting and final adjustment of all work done under this contract and all amounts payable hereunder and whatever balance is found to be owing by either of the Parties hereto to the other Party shall be promptly remitted.



6A. A "Standard Cost" (i.e. manufacturing costs exclusive of profit) based on the provisions set out in Sections 4 and 5 of this Agreement shall be mutually agreed upon and fixed within ninety (90) days of the Party of the Second Part attaining full production of Bren Guns as provided in Section 2, and shall remain in force for a period of time thereafter to be mutually agreed upon. Should the Party of the Second Part manufacture Bren Guns at a cost below the standard cost so established at any time during the period of time mutually agreed upon, the Party of the Second Part shall receive (in addition to the Ten Per Cent (10 per cent) profit provided in this contract) 25 per cent of the difference between the actual ascertained cost and the standard cost as determined by the Parties in pursuance of this section. In computing actual cost for this purpose any variations resulting in an increase or decrease, due to causes which in the opinion of the Party of the First Part were beyond the control of the Party of the Second Part, shall be disregarded. The decision of the Party of the First Part on this point shall be final. In the standard cost, the Party of the Second Part shall receive 10 per cent on such actual ascertained cost within the over-riding maximum profit mentioned in Section 4 (b). It is hereby expressly agreed that for the purposes of this section the date upon which full production aforesaid is attained and from which the period of ninety (90) days aforesaid shall be reckoned, shall be as the Party of the First Part may determine whose decision in this regard shall be final.

7. The Party of the Second Part shall maintain an adequate accounting system and permit the Party of the First Part, or his accountant or agents, at all reasonable times, to inspect and take copies of, or extracts from any books, accounts, receipts, papers, and documents in possession, or under the control of the Party of the Second Part and relating in whole or in part to the manufacture of the said Bren Guns or any spare or component parts thereof under the terms of this Agreement.

8. Should Bren Guns in course of construction by the Party of the Second Part or any spare and component parts thereof or any of the raw material used in the construction of the said Bren Guns or spare or component parts thereof be covered by any lien, mortgage or other charge given pursuant to the Bank Act or otherwise to the Bankers or the Party of the Second Part or any other person, firm or corporation, then and in such event the Party of the Second Part hereby undertakes and agrees that the amount of any such lien, mortgage or other charge shall be reduced by the amount of the interim payments provided in Section 6 herein as and when paid by the Party of the First Part, and the Party of the Second Part undertakes to make such arrangements with their Bankers or with any such lien holders or owners of any such mortgage or charge as are satisfactory to the Party of the First Part for the purpose of effectually carrying out the provisions of this section.

9. Delivery of the said Bren Guns shall be completed within the time limits specified in Exhibit "D" hereto and forming part hereof, and, as manufactured, delivery shall be effected as the Party of the First Part may require, the Party of the First Part hereby agreeing that as guns are completed delivery instructions in regard thereto will be sent forthwith. Delivery of all said guns shall be subject to delays due to fire, war, blockade, strikes, storms, accident (by fire or otherwise to or in the Plant or to machines or equipment), delay due to the Party of the First Part, or any person on its behalf, unreasonably delaying in giving approval or disapproval to any matter or thing requiring approval under this contract, delay in receiving delivery of machinery, tools, dies, jigs and gauges to be supplied by the Party of the First Part, blue prints, specifications, engineering data, materials or component parts, or to acts of Civil or Military Authorities, or to any other cause beyond the control of the Party of the Second Part. Delivery shall be made f.o.b. at the Plant of the Party of the Second Part at Toronto, and suitable provisions shall be made for tests satisfactory to the Party of the First Part at the cost of the Party of the First Part.

10. The Party of the First Part shall have complete control of the disposal, as well as priority in delivery, of all Bren Guns and other articles manufactured by the Party of the Second Part for the Party of the First Part.

11. The Party of the Second Part agrees that all work done under this contract shall be in accordance with the specifications supplied by the Party of the First Part and that all material and workmanship shall be subject to inspection and test by duly authorized representatives of the Party of the First Part at all times and places, and when practicable during manufacture, and that should any of the articles or materials comprised or to be used in said Bren Guns and in spare and component parts thereof be found by the Party of the First Part to be defective, either in quality or workmanship, or otherwise not in conformity with the aforesaid specifications, the Party of the First Part shall have the right to reject such materials and/or articles, as the case may be, or require their correction, provided always that the costs of any material or spare or component parts so rejected, including cost of labour thereon shall not be charged to the Party of the First Part if the defects in same which cause such rejection are the result of faulty workmanship or negligence on the part of the Party of the Second Part and are not such as normally occur in the manufacture of Bren Guns or spare or component parts thereof according to accepted engineering standards.

12. The Party of the Second Part undertakes and agrees not to disclose or communicate any information concerning the said Bren Guns to any unauthorized person or persons, nor shall they permit any unauthorized person or persons to have access to that part of their plant where said Bren Guns are being constructed during the construction of the said Bren Guns, the Party of the Second Part hereby agreeing that it will not employ any person on or in respect of any of the work required under this contract, or allow any person to have access to the plant wherein the manufacture of said Bren Guns is being carried out unless and until it has furnished in writing to a party to be designated by the Party of the First Part the name, address, and other particulars, as may be required by the Party so designated, of each such person, and said party has approved of such person being employed on or having access, as the case may be, to the said work and plant.

13. In case of dispute (except those arising under the Fair Wages provision referred to in Exhibit "C" of this contract) arising between the Parties hereto as a result of any of their dealings under this contract the same shall be submitted to arbitration at such place as the arbitrators hereinafter named may decide as follows:—

Upon the request of either Party, the Parties hereto shall promptly each appoint one arbitrator and the arbitrators so appointed shall promptly then appoint a third arbitrator and all such disputes shall be decided at such place as a majority of the arbitrators may decide by the decision of any two of the three arbitrators so appointed and such decision shall be final and binding on all parties. Both parties agree to facilitate such arbitration in every way and particularly by making available to the arbitrators all records and documents in their possession or control relating to any matter being dealt with by the arbitrators. The cost of any such arbitration shall be assessed against the parties hereto in such proportion as may, in the discretion of the arbitrators, be decided by them. Should either of the Parties hereto fail to appoint an arbitrator at the expiration of sixty (60) days, then at the expiration of the said sixty (60) days, and on ten (10) days notice thereafter that the defaulting party has failed to comply or if any arbitrator appointed by either of the Parties hereto shall fail to carry out his duties, then and in such event the arbitrator of the opposite Party shall be entitled to act as sole arbitrator and his decision shall be final and binding on both of the Parties hereto, providing always that nothing herein



contained shall be deemed to prevent either of the Parties hereto from commencing proceedings in any Court of competent jurisdiction for the purpose of enforcing such award.

14. In the event of the Party of the Second Part becoming insolvent or making an assignment for the benefit of its creditors, becoming bankrupt under the Bankruptcy Act, or failing to meet its obligations, the Minister of National Defence on behalf of the Party of the First Part, without any further authorization or notice of any kind, may take possession of all plant, materials, Bren Guns and finished and unfinished work (including component parts and accessories) then being or which may be machined, manufactured or done or carried out for or on behalf of His Majesty by the Party of the Second Part pursuant to any contracts now in existence or which may hereafter be made, up to the amount of any payments made by the Party of the First Part in respect thereof, and to the extent that the amount of all payments made by the Party of the First Part to the Party of the Second Part exceeds the value of the plant, materials and other articles herein mentioned, of which possession has been so taken by the said Minister, the Party of the First Part shall have a lien on all said plant, materials, Bren Guns, and finished and unfinished work (including component parts and accessories).

15. No member of the Senate or the House of Commons of Canada, or of the Parliament of the United Kingdom, shall be admitted to any share or part of this contract or to any benefit to arise therefrom.

16. This contract shall enure to the benefit of and be binding upon the parties hereto, their successors and assigns. The Party of the Second Part hereby agrees that it will not assign or sublet this contract without the written consent of the Party of the First Part being first obtained. Should such consent be given, then any amounts paid by the Party of the Second Part to any sub-contractor shall be reimbursed to the Party of the Second Part as part of the costs to the Party of the First Part as hereinbefore defined.

17. In the event of unreasonable delay or default or the incurring of excessive costs under this contract by the Party of the Second Part for which it is found to be solely responsible as being occasioned entirely by the conduct of the Party of the Second Part in respect of matters within its control and contemplation, the Party of the First Part may serve the Party of the Second Part with written notice requesting the Party of the Second Part within ninety days to take required steps to proceed with the performance of the contract in accordance with the spirit and intent thereof. Should the Party of the Second Part fail within that time either to furnish the Party of the First Part with reasonable assurance as to performance of the contract or to proceed with the carrying out of the contract as required or if not settled previously by arbitration, then in such event the Party of the First Part may forthwith, after giving notice of its intention, enter upon and take possession and assume control of that part of the plant, machinery and equipment necessary for the performance of the contract, and the Party of the First Part may take over, assume and complete the contract. In such event, the rights and liabilities of the parties shall be settled as provided in Section 13 of this agreement.

18. In the event of cancellation of this Contract, in whole or in part, otherwise than through unreasonable delay or default, or the incurring of excessive costs on the part of the Party of the Second Part, the Party of the First Part shall reimburse the Party of the Second Part as follows:—

(a) For all inventory work in process and outstanding commitments and obligations of the Party of the Second Part relating to the fulfilment of this contract as to date of cancellation, due allowance shall be made for any payments in respect thereof already made by the Party of the First Part to the Party of the Second Part.



(b) If the contract is so cancelled before production has commenced, the Party of the Second Part will be paid the sum of \$43,750; if the cancellation is effected after production has commenced, the sum of \$43,750 hereinbefore mentioned, shall be reduced by an amount which bears the same ratio to \$43,750 as the total amount of profit actually paid or due to the Party of the Second Part under this contract bears to the overriding maximum profit (\$267,000) referred to in Section 4 (b).

19. The Party of the Second Part undertakes and agrees to insure against such risks as the Party of the First Part may specify all said machinery, tools, dies, jigs, gauges, Bren guns whether finished or unfinished, and spare and component parts thereof, and material, to their full insurable value, loss, if any, payable to the parties hereto and other parties interested therein as their respective interests may appear. The Party of the Second Part shall be liable to the Party of the First Part for any losses which may be suffered by the Party of the First Part as the result of the inadequacy of said insurance and failure by the Party of the Second Part to insure against such risk, or risks as the Party of the First Part may have specified unless it shall be established that the failure to insure adequately or to insure against any such risk or risks specified by the Party of the First Part, is due to some cause or causes not under the control of the Party of the Second Part including but without limiting the generality of the foregoing any failure to obtain insurance in an adequate amount or for such risk or risks.

20. The Party of the Second Part hereby agrees that, if so required by the Party of the First Part, its Plant containing the machinery and equipment of the Party of the First Part and the said machinery and equipment will, for the duration of this contract and so long thereafter as there is installed therein the said machinery and equipment, be open to inspection by the Party of the First Part or his representatives.

21. The Party of the Second Part hereby agrees that it will permit the Party of the First Part, if the like so desires to maintain in and about the Plant of the Party of the Second Part such police or other protective force as the said Party of the First Part may require.

In witness whereof the Party of the Second Part has executed these presents and these presents have been signed on behalf of His Majesty by the Deputy Minister, Department of National Defence and the seal of the said Department has been hereto affixed the day and year first above written.

Signed, Sealed and Delivered by  
His Majesty, in manner aforesaid in  
presence of:

(Signed) M. E. DELANEY.

Signed, Sealed and Delivered by  
the Party hereto of the Second Part,  
in the presence of:

(Signed) C. E. WOOLLCOMBE.

DEPUTY MINISTER OF  
NATIONAL DEFENCE  
(Signed) L. R. LaFLÈCHE.

JOHN INGLIS CO. LIMITED  
(Signed) J. E. HAHN,  
*President.*

I, William Tuckey West, Secretary of John Inglis Co. Limited, hereby certify that this document is Schedule "A" referred to in the attached certificate made by me as Secretary of John Inglis Co. Limited as of the 31st day of March, 1938.

(Signed) W. T. WEST.

This is exhibit "A" referred to in Section 3 (a) of the attached Agreement entered into between the Minister of National Defence for Canada and John Inglis Co. Limited.

Horizontal Milling, 24 inches.. . . .	10
Horizontal Milling, 12 inches.. . . .	47
Horizontal Milling, Ungeared.. . . .	4
Horizontal Bench Milling.. . . .	3
Horizontal Hand Milling.. . . .	13
Vertical Milling, 24 inches.. . . .	1
Vertical Milling, 18 inches.. . . .	11
Vertical Milling, 10 inches.. . . .	13
Vertical Milling, Swivelling Head.. . . .	1
Vertical Mortise Milling.. . . .	19
Vertical Cam Mortising.. . . .	4
Vertical Mortising, Small.. . . .	2
Duplex Milling, Large.. . . .	1
Duplex Milling, Small.. . . .	1
Spline Milling.. . . .	12
Rotary Milling—1-spindle.. . . .	15
Vertical Grinding, Large.. . . .	3
Horizontal Grinding, Small.. . . .	1
Cylindrical Grinding, Large.. . . .	5
Broaching.. . . .	1
Horizontal Boring.. . . .	3
Horizontal Facing.. . . .	11
Horizontal Profiling.. . . .	6
Profiling, 1-spindle.. . . .	18
Profiling, 2-spindle.. . . .	11
Profiling, 3-spindle.. . . .	1
Horizontal Drawboring.. . . .	6
Horizontal Fineboring.. . . .	5
Horizontal Drilling, 3-spindle.. . . .	3
Duplex Centering.. . . .	1
Duplex Drilling.. . . .	3
Centre Lathe, 8-inch gap bed.. . . .	1
Capstan Lathe, 1½ inches.. . . .	2
B.S.A. Special Lathe.. . . .	6
Drilling, 5-spindle geared.. . . .	2
Drilling, Vertical 4-spindle heavy.. . . .	2
Drilling, Vertical 3-spindle Sensitive.. . . .	2
Drilling, Vertical 2-spindle Sensitive.. . . .	4
Drilling, Multiple spindle.. . . .	1
Facing Lathe.. . . .	1
Centre Lathe plain.. . . .	2
Vertical Slotting, 4 inches.. . . .	3
Vertical Slotting, 3 inches.. . . .	1
Drop Stamp, 40 cwt.. . . .	2
Drop Hammer, 5-cwt. Massey Pneumatic.. . . .	1
Former Turning.. . . .	2

Shaping, 4-inch stroke.. . . . .	1
Polishing Head.. . . . .	7
Engraving.. . . . .	1
Roller Marking.. . . . .	1
Sawing up.. . . . .	1
Horizontal Reaming.. . . . .	1
Drilling, Vertical 1-spindle Sensitive.. . . . .	1
Thread Milling.. . . . .	4
Straightening.. . . . .	3
Drilling, Vertical 1-spindle Heavy.. . . . .	1
Drilling, Vertical 4-spindle Sensitive.. . . . .	1
Vertical Milling, 2-spindle.. . . . .	1
Horizontal Special (Archdale).. . . . .	1
Drilling, Vertical 3-spindle Heavy.. . . . .	1
Rotary Mortise Milling.. . . . .	2
Horizontal Drilling.. . . . .	1
Vertical Lapping 5-spindle.. . . . .	1
Cylinder Lapping 1-spindle.. . . . .	1
Rifling.. . . . .	5
Chambering 1st Special.. . . . .	1
Chambering 2nd Special.. . . . .	1
Vertical Milling Special.. . . . .	1
Barrel Drilling.. . . . .	4
Auto Lathe Special.. . . . .	1

The list of machinery, tools, dies, jigs, gauges and other articles set out in this Exhibit shall not be deemed as being exhaustive, but, except with respect to anything from time to time on the list already obtained or ordered, shall be subject to such additions thereto or deletions therefrom as from time to time the Party of the First Part may determine, and, in so acting, the decision of the said Party shall be final and binding, and not open to dispute by the Party of the Second Part.

This is Exhibit "B" referred to in Section 2 of the attached Agreement entered into between the Minister of National Defence for Canada and John Inglis Co. Limited.

Specifications of Bren Gun, and spare and component parts thereof. Said Specifications to be furnished by the Party of the First Part to the Party of the Second Part as soon as is reasonably possible after the same are available. The said Specifications may be varied or modified from time to time by the Party of the First Part, and the provisions of the said Agreement shall apply to such Specifications as so varied or modified.

This is Exhibit "C" referred to in Sections 5 (b) and 13 of the attached Agreement entered into between the Minister of National Defence for Canada and John Inglis Co. Limited.

Labour conditions, Schedule of Wages and Working Day hours. Said conditions and schedule to be furnished by the Party of the First Part as soon as is reasonably possible after the same have been made available by the Department of Labour.

This is Exhibit "D" referred to in Section 9 of the attached agreement entered into between the Minister of National Defence for Canada and John Inglis Co. Limited.

Schedule of Deliveries from date of execution and delivery of the attached agreement:—

24th-36th month inclusive—1,000 guns	
37th-48th " " 3,000 "	
49th-60th " " 6,000 "	
61st-64th " " 2,000 "	



This Schedule applies only to seven-twelfths of the number of Bren guns set out therein.

“ Upon motion made and duly seconded and unanimously carried, it was resolved that the President of this Company, Major James E. Hahn, be and he is empowered, authorized and directed on behalf of this Company (John Inglis Co. Limited) to enter into agreement with the Minister of National Defence for Canada and to execute the same on behalf of this Company on the terms of the agreement annexed hereto as agreed to be entered into between this Company and the Minister of National Defence for Canada; and resolved that the President of this Company, the said James E. Hahn, be and he is hereby authorized on behalf of this Company to alter or amend the said agreement either as to the form, terms or provisions of the same; and resolved that the said James E. Hahn be and he is hereby empowered, authorized and directed to do, perform and execute all such deeds, matters or things as may be necessary or requisite in order to fully and effectually carry out the terms of the foregoing resolution and of the said agreement.

I, William Tuckey West, Secretary of John Inglis Co. Limited, organized under the laws of the Province of Ontario, having its principal office and place of business at the City of Toronto, do hereby certify under the seal of the said Company that the foregoing is a full and true copy of resolution or resolutions duly and regularly passed and adopted by the Board of Directors of the said Company at a meeting of the Directors of the said Company, of which due notice was given to all the Directors and at which all the Directors were present and voted; that the said resolution or resolutions appear in the Minutes of the said meeting; and that the same have not been amended, annulled or revoked and are now in full force and effect and are not contrary to law and are in no way in conflict with any of the provisions of the Charter or By-laws of the said Corporation.

And I Further Certify that Major James E. Hahn is the President of John Inglis Co. Limited and is the person named in the foregoing resolution as being directed, authorized and empowered, on behalf of this Company, to complete agreement between this Company and the Minister of National Defence for Canada on the terms of agreement annexed hereto as Schedule “A” as the same same may be modified or altered by the said James E. Hahn acting on behalf of this Company under the authority of the foregoing resolution or resolutions.

In Witness Whereof I have hereunto subscribed my name and affixed the seal of the said John Inglis Co. Limited at the City of Toronto, this 23rd day of March, 1938.

(Signed) W. T. WEST,  
*Secretary for John Inglis Co. Limited.*

OTTAWA, May 2, 1938.

## LABOUR CONDITIONS

The following labour conditions are applicable to the work of manufacture of "Bren" machine guns at Toronto, Ontario, to be undertaken for the Department of National Defence.

No workman employed upon the said work shall at any time be paid less than the minimum rates of wages, or shall work more than the number of hours, set forth in the following schedule:—

## SCHEDULE OF WAGES AND WORKING DAY HOURS

Trade or class of labour	Rate of wages not less than	Hours of labour not more than	
	Per hour	Per day	Per week
Die maker.. . . .	\$ .80	8	44
Gauge maker.. . . .	.80	8	44
Jig maker.. . . .	.80	8	44
Tool maker.. . . .	.80	8	44
Examiners (gauge and tool).. . . .	.70	8	44
Heat treat man.. . . .	.80	8	44
Assembler.. . . .	.55	8	44
Belt man.. . . .	.58	8	44
Blacksmith.. . . .	.65	8	44
Browner.. . . .	.55	8	44
Electrician.. . . .	.70	8	44
Fitter (machine).. . . .	.70	8	44
Hammer man.. . . .	.55	8	44
Helpers: Blacksmith's.. . . .	.45	8	44
Electrician's.. . . .	.45	8	44
Machinist's.. . . .	.45	8	44
Sheet metals worker's.. . . .	.45	8	44
Labourers.. . . .	.40	8	44
Machine setter.. . . .	.75	8	44
Machine operator, leading hand.. . . .	.65	8	44
Machine operator, milling, lathe, barrel drilling, reaming, profiling, rifling, and chambering machine, punch press and woodworking.. . . .	.55	8	44
Machinist.. . . .	.70	8	44
Machine operator, screw machine.. . . .	.60	8	44
Millwright.. . . .	.75	8	44
Patternmaker.. . . .	.70	8	44
Polisher.. . . .	.60	8	44
Sheet metal worker.. . . .	.65	8	44
Welder, electric.. . . .	.70	8	44
Carpenter.. . . .	.65	8	44
Painter.. . . .	.60	8	44

*Minister of Labour to determine disputes.*

2. Where there are special circumstances which in the judgment of the Minister of Labour make it expedient that he should do so, he may decide what are the current or fair and reasonable rates of wages for overtime, and what is the proper classification of any work for the purposes of wages and hours. Immediately upon receipt of notice of any decision of the Minister of Labour hereunder the Contractor shall adjust the wages and hours and classification of work so as to give effect to such decision. In case the Contractor shall fail so to do, or fail at any time to pay to any employee or employees for any service performed or for any hours of labour wages according to the rates set forth in the schedule or fixed therefor by the Minister of Labour hereunder regarding overtime and classification, the Minister of Labour may authorize and direct the Minister to pay any such wages at the rates so fixed and to deduct the amount thereof from any moneys owing by the Government to the Contractor and any such payment shall for all purposes as between the Contractor and the Government be deemed and taken to be payment to the Contractor, and the Contractor shall be bound in every particular by any such authority, direction and payment as aforesaid.

*Schedule to be posted.*

3. For the protection of the workmen employed, the Contractor shall post and keep posted in a conspicuous place on the premises where the contract is being executed, occupied or frequented by the workmen, the Schedule inserted in this contract, also the preceding paragraph (2) and any decision of the Minister of Labour made thereunder.

*Books, etc., of contractor open for inspection.*

4. The Contractor shall keep proper books and records showing the names, trades, and addresses of all workmen in his employ and the wages paid to and time worked by such workmen, and the books or documents containing such record shall be open for inspection by the Fair Wage Officers of the Government at any time it may be expedient to the Minister of Labour to have the same inspected.

*Payment by contractor for labour, etc.*

5. The Contractor shall not be entitled to payment of any money which would otherwise be payable under the terms of the contract in respect of work and labour performed in the execution of the contract unless and until he shall have filed with the Minister in support of his claim for payment a statement attested by statutory declaration, showing (1) the rates of wages and hours of labour of the various classes of workmen employed in the execution of the contract; (2) whether any wages in respect of the said work and labour remain in arrears; (3) that all the labour condition of the contract have been fully complied with; nor, in the event of notice from the Minister of Labour of claims for wages, until the same are adjusted. The Contractor shall also from time to time furnish the Minister such further detailed information and evidence as the Minister may deem necessary in order to satisfy him that the conditions herein contained to secure the payment of fair wages have been complied with, and that the workmen so employed as aforesaid upon the portion of the work in respect of which payment is demanded have been paid in full.

*Power to pay wages in default of payment by contractor.*

6. In the event of default being made in payment of any money, owing in respect of wages of any workmen employed on the said work and if a claim therefor is filed in the office of the Minister and proof thereof satisfactory to the Minister is furnished, the said Minister may pay such claim out of the moneys at any time payable by His Majesty under said contract and the amounts so paid shall be deemed payments to the Contractor.

*Use or hire of horses or teams.*

7. These conditions shall extend and apply to moneys payable for the use or hire of horses or teams, and the persons entitled to payments for the use or hire of horses or teams shall have the like rights in respect of moneys so owing them as if such moneys were payable to them in respect of wages.

*Sub-letting, etc.*

8. With a view to the avoidance of any abuses which might arise from the sub-letting of contracts it shall be understood that sub-letting, other than such as may be customary in the trades concerned, is prohibited unless the approval of the Minister is obtained, sub-contractors shall be bound in all cases to conform to the conditions of the main contract, and the main Contractor shall be held responsible for strict adherence to all contract conditions on the part of sub-contractors; the contract shall not, nor shall any portion thereof be transferred without the written permission of the Minister; no portion of the work to be performed shall be done at the homes of the workmen.



*Workmen to be residents of Canada.*

9. All workmen employed upon the work comprehended in and to be executed pursuant to the said contract shall be residents of Canada, unless the Minister is of opinion that Canadian labour is not available or that other special circumstances exist which render it contrary to the public interest to enforce this provision.

10. In the execution of the work to be performed the Contractor shall employ reasonable quotas of returned soldiers where such are available and competent.

It shall be understood that in the execution of this work local labour shall be used to the fullest possible extent and no workmen shall be imported unless it can be shown that competent workmen are not available locally.











BINDING SECT. NOV 4 - 1974



